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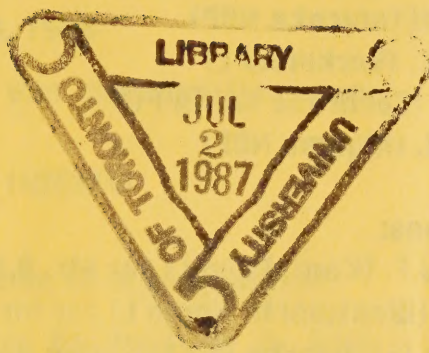




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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

Wednesday, July 9, 1986

Morning Sitting

Draft Transcript





STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

Witness:

M. Wilfred Caplan, Director and Secretary-Treasurer, Taurus Metal  
Trading Corporation

Gans, A.N., Legal Counsel

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LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, July 9, 1986

The committee met at 9:15 a.m. in committee room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

THE CHAIRMAN: Could we come to order, please?

Mr. Caplan, the first order of business is your swearing in by the Clerk.

M. Wilfred Caplan Sworn.

THE CHAIRMAN: Mr. Caplan, do you have any comments at the outset you would like to make at the outset prior to questioning?

MR. CAPLAN: Mr. Chairman, I appreciate the opportunity of giving evidence before this committee.

THE CHAIRMAN: Thank you. We will open the questioning with our counsel, Mr. Bell.

MR. BELL: Mr. Caplan, would you turn to your copy of the committee's exhibits and under part I, the first two pages being your resumé.

MR. CAPLAN: I have that.

MR. BELL: And just before we start, sir, we are going to try and keep the air conditioner on today for the comfort and health of us all. So if you could raise your voice level a few octaves above normal so that Hansard doesn't commit hari kari to try to figure all of this out.

During the course of my questioning of you, sir, I will be referring to some of the documents under this part I, some of the documents under part N, which is the Mary Eberts' material, some of the documents in part Q, which is the Wyda material, and some of the documents in the IDEA. So just so you counsel Mr. Gans will have those readily available as and when we refer to them.



MR. GANS: I have trouble with the alphabet from time to time, but I will give it my best.

MR. BELL: Well, if that is all you have got trouble with, you are a lot further ahead than I am.

I am sorry. Mr. Gans, would you introduce yourself for the record, please?

MR. GANS: My name is Art Gans, and I am appearing as counsel for Mr. Caplan.

MR. BELL: Now, Mr. Caplan, dealing with this resumé on the first two pages of part -- the top of the resumé deals with your personal history, your date of birth and your family. I wonder if you might just review for the committee in some slightly more detail than set out in this resumé your educational background?

MR. CAPLAN: I attended -- how far back do you want me to go?

MR. BELL: No, no. University of ---

MR. CAPLAN: I attended the University of Toronto from 1954 to 1958 in commerce and finance and graduated with a Bachelor of Commerce degree. I was awarded a teaching fellowship at the University of California at the Berkeley Campus in 1958 upon graduation from the University of Toronto, and I spent two years as a teaching fellow at the University of California, and at that time obtained my Master's degree in economics, specializing in industrial relations, from the University of California at Berkeley.

Subsequent to that, I returned to Toronto and I commenced employment with Philips Electronics in Leaside. While employed by them I started the certified general accountant's course, and in 1967 I graduated as a certified general accountant, Certified General Accountants Association of Ontario.

MR. BELL: What is a certified general accountant in respect of services performed?

MR. CAPLAN: A certified general accountant is a professional accountant providing all services to the public, to private industry, to government and academia; and all phases where professional accountants provide services.

MR. BELL: All right. And as your resumé indicates, you have served on certain professional organizations within the CGA; is that correct?

MR. CAPLAN: I have been very active in the Certified General Accountants Association. I had the honour to be elected president of the Certified General Accountants Association for the year 1979 and 1980, and I had the further honour to be elected president of the Certified General Accountants Association of Canada for the year 1984 and 1985. I am at present the immediate past president of CGA Canada.

MR. BELL: All right. And your business career, sir, as set forth on page 2 of this resumé dealing in reverse order: what were your duties, sir, with USARCO Limited in Hamilton?

MR. CAPLAN: I was the chief financial officer of USARCO Limited. I was responsible for the financial negotiations, financial arrangements, the accounting and the administration functions of the company.

MR. BELL: And for Caravan Trailer?

MR. CAPLAN: Similarly for Caravan Trailers, I was responsible for all the functions that a vice president, finance and secretary of the corporation normally is.

MR. BELL: Right.

MR. CAPLAN: In the area of financial negotiations, accounting, administration -- all of those matters.

MR. BELL: And for PEC Financial Corporation?

MR. CAPLAN: Similarly, in PEC Financial Corporation as well, I was directly responsible for structuring the real estate investment opportunities that we gave to our clients.



MR. BELL: Right. Now, before we get to Damaza from May 1985 to present, I have seen somewhere in the material -- I think it was in one of the other copies of your resumé -- that Damaza was active in some -- sometime in the seventies.

MR. CAPLAN: Damaza was formed in 1971.

MR. BELL: All right. And did it carry on any active business ---

MR. CAPLAN: Yes, it did. It was active between 1971 and 1972. It was again active between 1976 and 1978, and again, after inception, until April 1985.

MR. BELL: And what were its business activities during those periods?

MR. CAPLAN: It was providing the service of a vice-president, finance to its clients. It was arranging consulting assignments with clients and in fact providing the services of a vice-president, finance to those organizations which didn't have the resources or the need for a full-time vice-president, finance as a staff and paid employee.

MR. BELL: All right. It also undertook some economic consulting, economic studies and so on, for various clients as well, in addition to the financial.

All right. And I want to finish off this part with Damaza. Can we leapfrog a bit? Can you tell the committee what your current business activities are?

MR. CAPLAN: Yes. I am a principal director and secretary-treasurer of Taurus Metal Trading Corporation, and we do scrap metal brokerage in Canada and abroad.

MR. BELL: And when did that business activity start, sir?

MR. CAPLAN: I believe the company was incorporated on January 28th, 1986, and the active commencement would have been somewhere late February or early March of 1986.

MR. BELL: Can we say February 28th for sake of a

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date?

MR. CAPLAN: Yes.

MR. BELL: Does that represent the date when you assumed active business activities for that company?

MR. CAPLAN: I assumed active business activities for the company probably sometime in March, towards the middle or end of March.



MR. BELL: All right. Damaza Consultants, sir, from 1985, and for the timeframe of this question will put it to mid-June of this year -- what were its business activities, and what was your -- oh, you were president of that company. What were its business activities?

MR. CAPLAN: It was providing consulting services to a number of clients.

MR. BELL: All right. Could you describe the nature of those services that were available to clients?

MR. CAPLAN: There were economic analyses, financial consulting, obtaining of financing; there was accounting, administration -- basically, all the financial and economic services that a vice-president of finance would normally offer to his employer.

MR. BELL: All right. Now, I'm not particularly interested in your disclosing names of other clients other than Wyda, but can you indicate to the Committee, in general terms -- first, did you have, during this May 1985 to June 1986 period -- did Damaza have other clients?

MR. CAPLAN: Yes, it did.

MR. BELL: Can you indicate the number of clients?

MR. CAPLAN: I would say it would probably be on the order of six to seven clients.

MR. BELL: And did you provide to those clients the type of consulting services that you've just described that Damaza had available?

MR. CAPLAN: I didn't provide all the services to all the clients, but, yes, that was the range of services that was provided to clients.

MR. BELL: All right. And with any of those clients, sir, did you assume the position of vice-president, finance?

MR. CAPLAN: No, I did not.

MR. BELL: In the 1971-1972 and the 1976-1978 period, when Damaza was then active, did you assume the position of vice-president, finance for any of the clients during those periods?

MR. CAPLAN: Yes, I did.

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MR. BELL: All right. Could you give us some particulars of that without necessarily disclosing the identity of the client?

MR. CAPLAN: Well, I have -- since it's ancient history, I have no -- it's easier if I disclose the ---

MR. BELL: Well, I'll leave that to your judgement, with the assistance of your counsel.

MR. CAPLAN: I assumed the position of treasurer while working on a consulting basis for Keystone Trailer Rentals, which eventually merged with Caravan Trailer Rental Company Limited, and the new entity is known as Caravan Trailer Rental Company Limited. When I went to work for Keystone, it was on a consulting basis, and I did assume the title of treasurer.

In 1978, one of my clients was the **\*\*Quotient\*\*** Group of Companies, which eventually merged into PEC Financial Corporation, and I assumed the title of corporate controller of PEC Financial Corporation, and eventually the title of vice-president, finance, at their request, even though it was a consulting agreement through Damaza.

MR. BELL: All right. On each of those occasions, were you appointed or elected officer of those companies, pursuant to a resolution of the board of directors?

MR. CAPLAN: Not while Damaza was actively consultant to those companies. I eventually was offered permanent positions with both companies which I took, and became a permanent employee in the capacity of treasurer or vice-president, finance with each of those companies, at which time I was officially appointed an officer and took on the additional functions of vice-president, finance, who is only associated with one company: signing documents, signing cheques, and all the other accoutrements.

MR. BELL: Okay. Now, going back to Damaza, May 1985, can you tell the committee when you were first introduced to the Wyda Corporation and how?

MR. CAPLAN: I was introduced to the Wyda Systems Canada Inc. through their corporate counsel, who called me in the first couple of weeks of May 1985, and asked if I would meet with the president of Wyda who was looking for financial consulting services. I agreed to meet with him, and we did so.



MR. BELL: And am I correct that as of the date of that first contact, you had not acquired any other clients for Damaza?

MR. CAPLAN: No, I had one client at that time which was PEC Financial Corporation.

MR. BELL: Okay. All right. I won't bog down with that.

And did you subsequently meet with a representative of Wyda?

MR. CAPLAN: I met with Mr. Abe Dobzinski, president of Wyda. This was prior to the middle of May.

MR. BELL: Prior to the middle of May?

MR. CAPLAN: Yes.

MR. BELL: All right. You can't be more precise as to the date?

MR. CAPLAN: No.

MR. BELL: All right.

MR. CAPLAN: I recall I went on behalf of C.J. Canada. I had a function in Hong Kong which -- I'd left the country on May 14th, I believe it was; somewhere around that time -- and my first meeting with Mr. Dobzinski was prior to that.

MR. BELL: All right. Where did that meeting occur?

MR. CAPLAN: It occurred at the offices of PEC Financial Corporation.

MR. BELL: And tell us about that meeting.

MR. CAPLAN: Mr. Dobzinski outlined the project that Wyda was engaged in, and he outlined what he considered the financial requirements and what kind of financing they would be looking for. It was basically a meeting to familiarize me with Wyda and what they were doing and what they were seeking, and I outlined to him my background and the kinds of services that I had been providing in the past as a financial consultant and that I felt I could provide for Wyda.

(Mr. Caplan)

Without any conclusion, we initiated some discussions of what form the fee arrangement might take.

MR. BELL: All right. Let me stop you there for a moment. I want to deal with two points that you've already raised. Without repeating it, was the explanation that you gave to Mr. Dobzinski as for the type of services that Damaza could provide to its clients as you have described for the committee this morning?

MR. CAPLAN: Yes.

MR. BELL: All right. Was there any particular -- dealing now with the needs that Dobzinski described to you that Wyda then had, was there any particular emphasis on any one or a combination of needs?

MR. CAPLAN: Yes. The emphasis was on obtaining financial assistance for the company. The immediate need was for financing for the company, and that was the emphasis.

MR. BELL: All right. At that meeting, did you discuss any sources, potential sources, of funding?

MR. CAPLAN: Not that I recollect.

MR. BELL: Specifically, did you discuss the IDEA Corporation?

MR. CAPLAN: No.

MR. BELL: All right. Now, you started to indicate that at that meeting there was some discussion as for the terms of the -- I believe in the accounting parlance it's "engagement"; in the legal parlance it's probably "retainer". It means the same thing.

MR. CAPLAN: Yes.

MR. BELL: Can you tell us about that discussion?

MR. CAPLAN: Mr. Dobzinski was interested in what the engagement fee or retainer fee might be for this kind of an engagement, and I gave him an outline of the rate structure that Damaza would use, would offer to Wyda, without being particular, in the sense that it wasn't a final offer; it was an indication of the framework in which we



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offer.

MR. BELL: All right. Specifically, what did you tell him in that regard?

MR. CAPLAN: I told him that Damaza would work with Wyda in one of three ways, and it was at the option of the client.

MR. BELL: Yes.

MR. CAPLAN: I was quite comfortable with whatever option they chose. The first option would be on a straight per diem basis at \$150 per hour, with hours docketed and bills submitted at the end of each month, plus any out-of-pocket expenses as well.

The second option would be on a flat retainer fee per month, to be agreed upon between the two parties.

And the third ---

MR. BELL: Did you indicate any amount or range?

MR. CAPLAN: I don't believe at the first meeting that I did.

MR. BELL: Fine.

MR. CAPLAN: It would be necessary for me to get an accurate assessment in my mind as to how many hours I would think I might be spending on Wyda's behalf, or, indeed, on any other client's behalf before I would venture a figure as to what that retainer should be.

The third arrangement was a contingency arrangement where Damaza would charge something for its estimated out-of-pocket expenses on a flat monthly basis, and then a contingency fee based on the financing arranged.

MR. BELL: Were you any more particular as for the terms of the contingency fee at that discussion?

MR. CAPLAN: The contingency fee would normally take the form of a percentage of the financing arranged at the time of closing, and a percentage of the equity of the company.

MR. BELL: I understand that's what it is normally, sir, but did you discuss at that meeting any specifics?

MR. CAPLAN: Specific numbers?

MR. BELL: Yes.

MR. CAPLAN: I don't believe so.

MR. BELL: All right. Now, did you discuss anything else with him at that first meeting?

MR. CAPLAN: My recollection is that that's the general framework of the meeting.

MR. BELL: All right. Now, maybe if we can accelerate this a bit -- I understand that your discussions with him as for the terms of your retainer, interrupted by your trip to the Far East, continued sometime up to the 17th of June 1985.

MR. CAPLAN: That's correct.

MR. BELL: All right. Without giving us an individual summary of each discussion, can you give us, in an overview sense, sir, what the discussions were, and how it evolved to the terms of the retainer that existed on June 17th, 1985?

MR. CAPLAN: We discussed the retainer in the general framework that I've laid out, and in subsequent meetings, as I became more familiar with Wyda and what the possible extent of the engagement would be, I indicated on the second option that a monthly retainer of \$8,000 I felt would be in order. And my initial assessment on the contingency fee was for a \$2,000 per month expense-related retainer, plus 4 per cent of the financing arranged at the time of closing, plus a 5 per cent equity interest in Wyda.

Mr. Dobzinski was amenable to the \$2,000 expense-related retainer and the 5 per cent equity interest in the company, but his feeling was that the 4 per cent financing was perhaps too rich. We negotiated, and eventually settled on a \$50,000 payment at the time of financing arranged, plus the 5 per cent of the equity, plus the \$2,000 monthly retainer that's related.

MR. BELL: And does that represent the terms of



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the retainer that you both settled on to commence on our about the 17th of June?

MR. CAPLAN: I'm not sure that we came to the final conclusion on or before the 17th of June with regard to the contingency available at the time that financing would be concluded, at the closing of financing. But we had come to the agreement as far as the \$2,000 and as far as the 5 per cent of the equity of the company.

I don't think that we concluded the amount payable as a fee at the time financing was arranged until a week or two after -- somewhat after the June 17th date. But I'm not exactly sure on the time of that.

MR. BELL: In any event, can we say by the end of June, beginning of July -- you choose -- that the terms of the retainer, including the three components -- \$2,000 per month, 5 per cent equity, \$50,000 payment -- were settled?

MR. CAPLAN: They were settled sometime at the end of June, yes.

MR. BELL: Okay. Did I misunderstand you, sir, that when you put the options, the three options to them, to him, that they were intended to be exclusive of one another?

MR. CAPLAN: Yes, they were exclusive of one another.

MR. BELL: All right. In other words, "If you want me on the one basis you have got to pay me \$8,000 a month"?

MR. CAPLAN: Yes.

MR. BELL: "If you want me on another basis you have got to pay me \$2,000 a month" -- I am sorry, "You have got to pay me a per diem of \$150.00 an hour."

MR. CAPLAN: Yes.

MR. BELL: "And if you want me on the other basis we will do it contingency, which includes a \$2,000 expense allowance." Is that correct?

MR. CAPLAN: Yes.

MR. BELL: Is that correct? There was no discussion at all whether -- or to what extent you might combine these options?

MR. CAPLAN: No.

MR. BELL: All right.

MR. CAPLAN: And indeed Wyda chose the third option.

MR. BELL: Okay. Is it fair to say Mr. Dobzinski chose option number three?

MR. CAPLAN: That is what he did, yes.

MR. BELL: Do you know why?

MR. CAPLAN: I have an opinion. He never actually told me why, but it is not unusual for my clients to choose option three, because it saves the cash flow, and they only then have to really pay if Damaza is successful on their



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behalf.

MR. BELL: Okay. Do you have an opinion or belief, sir, as to whether at that time Wyda had the ability to pay you \$8,000 a month?

MR. CAPLAN: I hadn't examined the books of Wyda at that point in time, but as soon as I did it was obvious that they did have the ability to pay.

MR. BELL: Did?

MR. CAPLAN: They did have the ability to pay the \$8,000.

MR. BELL: Now, before I ask you what your responsibilities included within that retainer, would you turn to part Q, tab number 3?

MR. GANS: I am sorry, Mr. Chairman. The binder I had was not indexed particularly well. I wonder if the Clerk might have it reindexed. I understand it is your book.

MR. CAPLAN: Yes, I have that in front of me.

MR. BELL: Now, I take it by the substance of this letter from Mr. Segal that on or prior to the date of this letter, June 13th, you had some discussions respecting a draft consultancy agreement with Wyda?

MR. CAPLAN: Yes.

MR. BELL: Were the terms of the consultancy agreement that you discussed with Mr. Spiegel (Segal) and he apparently drafted for you, as you have described, were settled between you and Wyda?

MR. CAPLAN: No. They were as I described that I had originally proposed to Wyda.

MR. BELL: Being the five per cent equity, four per cent financing?

MR. CAPLAN: Yes, and the \$2,000 expense or rate

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MR. BELL: And what happened to this agreement?

MR. CAPLAN: I gave the agreement to Mr. Dobzinski, and I believe he sent it to Wyda's attorneys for looking over. However, it never was signed?

MR. BELL: It went to that great law firm in the sky.

Nothing happened to it; is that what you mean?

MR. GANS: I think we all practice that way from time to time.

MR. BELL: That's right. Do I take it that the agreement was never concluded between you and Wyda?

MR. CAPLAN: Well, the draft agreement was never signed as a full agreement. We did conclude an agreement, but it was a verbal agreement.

MR. BELL: No, I am talking about in written form.

MR. CAPLAN: That is correct..

MR. BELL: Do you have a copy of it?

MR. CAPLAN: Yes.

MR. BELL: Could you produce it to the committee  
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MR. GANS: I am sorry, Mr. Chairman, I thought it had been produced.

MR. BELL: No, I have made inquiries.

MR. CAPLAN: Sorry, I thought it had been produced  
as well.

MR. GANS: Yes, I thought it had been delivered  
over to ---

MR. BELL: I don't want to get bogged down now.

MR. GANS: We will do it at the break. That is fine.

MR. BELL: I don't want to break the continuity of  
this.



MR. GANS: I apologize.

MR. BELL: No, no, don't. And as I said earlier last week, nobody has to apologize for anything in terms of the speed off the preparation of this, least of all me.

Subsequent to the finalization of the third term, the \$50,000 amount, did you instruct your counsel to prepare another draft consultancy agreement?

MR. CAPLAN: No. No, I did not.

MR. BELL: Now, we know that -- well, we have heard from other witnesses, particularly Mr. Dobzinski, as far as he is concerned there was no written form of retainer number one which you have just described to us. Is that correct, as far as you are concerned?

MR. CAPLAN: There was no written agreement, that is correct.

MR. BELL: Yes. It was your intention, however, as represented by this letter, tab 3, to have your relationship with Wyda reduced to writing?

MR. CAPLAN: I believe it was my attorney's suggestion that that would be wise.

MR. BELL: Which you accepted?

MR. CAPLAN: Yes.

MR. BELL: Is there a reason why you did not pursue a written agreement reflecting the terms as finalized?

MR. CAPLAN: I happen to be a source of concern to my attorney because I really normally operate on handshakes and verbal agreements with people, and I am not, in my own personal affairs, perhaps as circumspect in reducing things to writing as I would be for a client or a principal for which I am working. So all I am saying is that it wasn't necessary for my purposes. I had an agreement with Mr. Dobzinski. There was no problem as far as I was concerned with him as far as he would adhere to what our understanding was, and I proceeded on that basis; and really, up until quite a bit later, never did reduce anything

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in writing to them. And that was not unusual for me. And perhaps I shouldn't make that admission to all the attorneys sitting around this table.

MR. BELL: Don't apologize. I have a partner and mentor that says you don't need a written agreement unless you think you are going to sue the other side on it. And maybe that should be extended to "unless you think you are going to have to appear before a Legislative Committee on it." I don't think you have to apologize for that, sir.

Now -- and it is obvious that I am relatively interested in a chronology of all of this, and so forgive me if I ask questions in a context of dates. I will peg as July 1st as the day you finalized your deal with Wyda, just for discussion purposes. And you are not going to be held to that and there is nothing significant about that.

When did you discuss first with Mr. Dobzinski, or anybody at Wyda, the designation of you as v.p. finance and administration?

MR. CAPLAN: It was sometime in late May or June, early June.

MR. BELL: All right. And was that one of the terms that was finalized between you early in the game?

MR. CAPLAN: It was finalized by June 17th.

MR. BELL: Okay. All right.

MR. CAPLAN: I don't want to quibble over dates, but it was by the middle of June. I can't tell exactly when it was.

MR. BELL: Who raised that issue?

MR. CAPLAN: Mr. Dobzinski.

MR. BELL: And what did he tell you about it when he raised it?

MR. CAPLAN: He told me what my clients normally tell me in that situation: that, where it's an engagement of some substance, they would like me to take a title in their corporation. It makes their corporation have more substance, they appear to be more serious companies the more executives that they can portray, and also it makes it easier to explain my function to people who come in contact with me through the corporation as vice-president, finance rather than as a consultant. It is a title of convenience; it helps the client; and as long as the relationship is eventually made clear, it does me no harm.

MR. BELL: All right. I asked this of Mr. Dobzinski, and I'll ask it of you: The services that Damaza agreed to provide to Wyda in consideration of the formula for remuneration -- does that equal the services that the v.p. finance and administration of Wyda was expected to provide?

MR. CAPLAN: Are you asking me if they had hired a full-time ---

MR. BELL: That's a long-winded way of asking. Is there any difference between the services that Damaza, by the terms of the retainer, was expected to provide to Wyda and what Wyda's v.p. finance and administration was expected to provide?

MR. CAPLAN: No.

MR. BELL: Now, for the retainer, in the terms that you've described, what services was -- no, let me scratch that. Let me ask you one other thing. At any time during your dealings with anyone on Wyda's behalf, did you represent yourself as a president and officer of Damaza?

MR. CAPLAN: Yes.



MR. BELL: In what context did that occur?

MR. CAPLAN: You mean in exactly what conversations with ---

MR. BELL: Well, specifically ---

MR. CAPLAN: For instance, with the Toronto-Dominion Bank, that were the firm's bankers, the account executive, I made that very clear to him, and explicit that I was a consultant. I don't recall if I informed him that I was president of Damaza Consultants Limited, but I did say it was a consulting arrangement, and they quite understood that.

MR. BELL: All right. Did you make that known in any other context of dealings with anybody else?

MR. CAPLAN: I believe I made it known in dealings with our landlord, and I made it known in dealings with the firm's solicitors, with the firm's auditors, with various consultants that the firm did use. Yes, I did make it known.

MR. BELL: How about IDEA?

MR. CAPLAN: With IDEA, I asked Mr. Dobzinski to make it known to them.

MR. BELL: The Damaza relationship?

MR. CAPLAN: Yes.

MR. BELL: Do you know if he did?

MR. CAPLAN: He had informed me that he had.

MR. BELL: All right. Can you describe to the committee the type of services that it was expected you would perform for Wyda?

MR. CAPLAN: The prime service was to assist them in obtaining second-round financing. I was also responsible for most financial negotiations with all sorts of parties: lawyers, accountants, landlords, financial institutions, suppliers, consultants. I was normally the financial negotiator in those cases. I was responsible as well for overseeing the accounting and administration system in Wyda, and generally providing the services that a vice-president of finance would provide, but on a part-time basis. Wyda was not a full-time assignment of mine. As I

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mentioned, I had other clients.

MR. BELL: All right.

MR. CAPLAN: The only things I didn't do that normally a vice-president of finance would do for a principal is sign cheques or become an officer with signing authority for documents, contracts, and so on. I did not have those powers, and never did so.

MR. BELL: All right. Now, absent what you did respecting IDEA, would you describe for the committee in some detail what you, from June 1985 to June 1986 -- what you did for Wyda?

MR. CAPLAN: Yes. The main thrust was the obtaining of the second-round financing, and to initiate that, it was necessary to structure a framework of the company, of its products, of its marketing potential, and of the financial projections for the company. In fact, it was the construction of the business plan and the financial projections of Wyda, so that they would be in a format that would be readily understandable to a financing institution, lender, an equity investor, whatever it happened to be that we could approach for the funds.

That was an enormous undertaking, as there was very little in the way of records available, and there hadn't been any thinking along these lines for the company.

At the same time, I was making initial inquiries with a number of potential sources of second-round financing for the company who I was either approaching directly or approaching through other consultants who had good contacts with the various sources. This was the major thrust of my activities on behalf of the corporation.

I, as well, on an ongoing basis, did the negotiations with various parties, financial negotiations with various parties, and advised Mr. Dobzinski as to strategy and tactics in dealing both with the financing requirements of the company, and all the other administrative and financial aspects of the company.

MR. BELL: All right. Without specifics, can you give the committee some idea of the numbers of contacts that you made, or were part of, in respect of efforts for second-phase financing.

MR. CAPLAN: There were literally dozens. There must have been in excess of, I think, 30.

MR. BELL: Mr. Dobzinski offered an approximation yesterday that, of those contacts, 10 per cent were those of yours. Do you have a comment on that?

MR. CAPLAN: No.

MR. BELL: Now, let's talk about the \$2,000 a month. I understand your evidence to be that that represented a payment in respect of expenses incurred by you on a monthly interval.

MR. CAPLAN: Yes.

MR. BELL: Have you, prior to today, reviewed or done an audit or analyzed the nature and extent of your expenses from June 1985 to June 1986?

MR. CAPLAN: I've analyzed it, yes.

MR. BELL: All right. And would you give the committee an indication, in any terms you want, general or specific, of what your monthly expenses were?

MR. CAPLAN: My monthly out-of-pocket expenses that I paid for and was not reimbursed by Wyda or any other client is approximately \$1,700.



MR. BELL: All right. And what would those expenses include, in general terms?

MR. CAPLAN: They would include automobile expense; they would include entertainment and meeting expenses with various people associated with, principally, Wyda.

MR. BELL: All right. And do you have copies -- or originals of those expense receipts or summaries?

MR. CAPLAN: I believe I turned them over to you.

MR. BELL: And that which you have turned over to me -- does that represent all you still have in your possession?

MR. CAPLAN: Yes.

MR. BELL: Okay.

MR. CAPLAN: Damaza had other expenses as well as the out-of-pocket expenses, normal office kind of expenses for printing, stationery, and the normal things that a business has -- insurance, and those things which were not included in the figure I gave you for the out-of-pocket expense, which would probably average another \$800 to \$1,000 per month.

MR. BELL: All right. During the period June 1985 to June 1986, what was the range of monthly earnings that Damaza received from all sources, all client sources?

MR. CAPLAN: Approximately \$50,000.

MR. BELL: Per month?

MR. CAPLAN: Oh, no; sorry. That was the end-of-year range.

MR. BELL: All right. That represents the aggregate of that 12-month period?

MR. CAPLAN: Yes, to the best of my recollection.

MR. BELL: Now, I understand you in fact started work for Damaza sometime prior to June 17th.

MR. GANS: For Damaza or Wyda?

MR. BELL: I'm sorry. That you started work for Wyda prior to June 17th.

MR. CAPLAN: That's possible.

MR. BELL: All right. Okay.

MR. CAPLAN: I started the billing -- I remember the first billing date was June the 17th.

MR. BELL: All right.

MR. CAPLAN: In my zeal, I may have started the actual effort a little earlier.

MR. BELL: I understand, and the committee does understand, that on the 24th of June, you had occasion to meet with Blenus Wright and Mary Eberts in respect of the conflict of interest guidelines.

MR. CAPLAN: I believe that was the date, yes.

MR. BELL: All right. When was the first time you were introduced to the subject of guidelines?

MR. CAPLAN: It was somewhat earlier, approximately a week or so earlier, when my wife told me that she either had met or was supposed to be meeting with Mary Eberts on the subject of conflict of interest guidelines.

MR. BELL: Was that before or after your wife knew or had reason to believe that she was going to be appointed to the Cabinet?

MR. CAPLAN: It was before.

MR. BELL: Where did the meeting with Wright and Eberts take place, sir?

MR. CAPLAN: In Mr. Wright's office.

MR. BELL: All right. Did you bring any materials with you for that meeting?

MR. CAPLAN: I don't recall that I did bring any materials.

MR. BELL: Did they provide you with any written

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material, and specifically a copy of the guidelines at that meeting?

MR. CAPLAN: I believe they did, but I'm not sure.

MR. BELL: Was that the first time, if they did, that you had actually seen the guidelines?

MR. CAPLAN: I believe that would be true.

MR. BELL: Did you review the guidelines with them at that meeting in a specific way?

MR. CAPLAN: Yes. There was a review of the guidelines. I don't recall that we went point-by-point down the sheet, but we very well may have.

MR. BELL: All right. Did you make any notes of their advice to you in respect of the guidelines generally?

MR. CAPLAN: No, I don't recall that I did.

MR. BELL: All right. Did you make any notes at all at that meeting?

MR. CAPLAN: I don't believe so, no.

MR. BELL: All right. Can you tell me what you said to the two lawyers?

MR. CAPLAN: I told them about my background in general, and answered questions that they had on specifics. They specifically wanted to know how Damaza operated, and I went into details on that, and specifically told them about the arrangements with Wyda that we were then finalizing, and what the terms of the engagement were, and examples of potential sources of the financing.

MR. BELL: All right. Would you refer to section N and tab number 10?

MR. CAPLAN: The handwritten notes?

MR. BELL: Yes. That, Mr. Caplan, has been identified by Mary Eberts as a note that she took during her meeting with you and Mr. Wright that day. Have you had an opportunity to review that note before testifying this



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morning?

MR. CAPLAN: Yes, I have.

MR. BELL: Is there anything in that note on the first page that you take issue with, that does not accord with your recollection of what you indicated to them at that meeting?

MR. CAPLAN: There's nothing here that doesn't recollect with my recollections.

MR. BELL: All right. About three-quarters of the way down, it's indicated you said, "He hasn't defined the strategy and agencies he'll approach, but probably IDEA and ODC." Do you recall saying that to the two individuals in the context of Wyda?

MR. CAPLAN: I recall that they wanted to ascertain if there were any provincial ministries or agencies that I might approach on behalf of Wyda, and I gave them these as examples of the sorts of agencies or ministry programs that I would consider approaching.

MR. BELL: All right. And had you, up to the date of that meeting, discussed with Mr. Dobzinski or anybody at Wyda the IDEA Corporation?

MR. CAPLAN: Not in any specific context. The only discussion would have been in the same general light as this one here as to what the potential sources might be, without any specific definition.

MR. BELL: Had you, as of this date, approached IDEA on Wyda's behalf?

MR. CAPLAN: No.

MR. BELL: It'd be easier for the reporter, sir, if you wait until I've finished my question, and then answer, and I'll try to reciprocate.

You answered no?

MR. CAPLAN: No.

MR. BELL: Would you turn the page of that note,

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down to the line, "Office as of April 30th, 1985"? Would you review that part and advise the committee whether that accords with what you indicated to them at that meeting?

MR. CAPLAN: Without agreeing with every specific in there, it would be the kind of information and in general accord with what I would have told them at that meeting.

MR. BELL: All right. Now, what is left on that page represents what Ms Eberts advised the committee were her thoughts to herself and certain advice she gave you and certain indications that you made to them. In the part that is circled in pen, "clearly withdraw his only option", do you recall advice from her in those words or to that effect in that meeting?

MR. CAPLAN: No, I do not.

MR. BELL: Beside that, to the right, it's indicated -- and she has advised the committee, she's quoting you here -- "prepared to do whatever necessary; Elinor to sell."

Do you recall saying that to the two at that meeting, or words to that effect?

MR. CAPLAN: Yes, I do.

MR. BELL: And what was the context of that statement by you?

MR. CAPLAN: It's two separate statements. The first, "prepared to do whatever necessary", has to do with my own undertaking to myself and to my wife, to do whatever is necessary, to make whatever necessary arrangements so she could, if she was invited to, serve in the government of this province.

MR. BELL: And is that in the context of the guidelines?

MR. CAPLAN: Mainly in the context of the guidelines, yes.

MR. BELL: And specifically, you were prepared to do whatever was necessary to comply with the obligations and restrictions of the guidelines?

MR. CAPLAN: That is correct.

MR. BELL: All right.

MR. CAPLAN: The second three words, "Elinor to sell", refers ---

MR. BELL: To Damaza.

MR. CAPLAN: Yes, to their advice that Elinor sell her one share in Damaza, as she wasn't active in the company.

MR. BELL: Okay. Now, what do you recall Mary Eberts advising you at that meeting? And I'm only speaking now of Mary Eberts.

MR. CAPLAN: I recall that she advised me to not take an equity position in Wyda or any other company that might be a client of Damaza's. She also gave me what I consider political advice, to try and not contact any



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personnel in a communicative way in Ontario ministries or agencies.

MR. BELL: In what capacity?

MR. CAPLAN: In the capacity of seeking financial investment or assistance for clients.

MR. BELL: All right. She didn't say you couldn't contact anybody in the provincial government ---

MR. CAPLAN: No.

MR. BELL: --- in a categorical sense?

MR. CAPLAN: No. It was with regards to a Damaza assignment.

MR. BELL: Why do you say, sir, that you regard it as political advice?

MR. CAPLAN: Because it wasn't in the context of the guidelines. There was no exclusion in the guidelines; there was no dealing in the guidelines with contact, per se.

MR. BELL: Is the conclusion "political advice" yours, or was it the preface of Mary Eberts as to the type of advice she was giving you?

MR. CAPLAN: It's mine.

MR. BELL: All right. Tell me what Blenus Wright said to you at that meeting.

MR. CAPLAN: Blenus Wright advised me that Damaza could not be in a position of accepting a contingency fee based on any financing raised from Ontario ministries or agencies. It could be on a contingency fee for federal or private sources of financing, but not with regards to Ontario Government or agency sources of financing.

I would be restricted to a flat monthly or hourly amount, which would be paid exclusive of whether Damaza was successful in arranging financing or not with regards to any Ontario source of funding.

He also advised me that it would not be

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appropriate to receive an equity position in any of my clients' companies, a minority equity position in any of my clients' companies, as a result of being successful in arranging financing, because in future that client might contact the Ontario Government or an Ontario Government agency and inadvertently put me in contravention of the conflict of interest guidelines. So I would be wise not to take equity positions with my clients as a result of successfully negotiating financing for them.

MR. BELL: Did he tell you anything else, or advise you of anything else?

MR. CAPLAN: He advised me that my clients could approach Ontario Government sources which were available to all like companies, and the specific examples we did use -- or he did use -- were the Ontario Development Corporation and the IDEA Corporation; that if there were programs available to companies, and a client of Damaza's fitted into that category, then Damaza could approach the agency or the ministry on behalf of the client, and the client could deal with that agency or ministry with Damaza as its financial consultant, and conclude, hopefully, a successful financial arrangement, as long as Damaza and myself did not benefit contingently in the way of a percentage fee, a percentage of equity, from that financing. And that advice was consistent with the advice he gave me from June of 1985 to March of 1986.

MR. BELL: All right. I'll deal with that in a moment. You might want to leave your finger in part N, but can you just turn to part C, which is the guidelines as amended?

MR. CAPLAN: I have that.

MR. BELL: Now, we know that the guidelines subsequent to your meeting with Eberts and Wright were amended, initially by Mary Eberts. Are you with me?

MR. CAPLAN: Yes. I thought that was a statement rather than a question.

MR. BELL: It was a statement, but it's going to be a question.

Did they discuss the amendments with you at that meeting?

MR. GANS: The ones dated September 1985?

MR. BELL: The ones that are incorporated in -- did they discuss the substance of the amendments incorporated ---

MR. GANS: What amendments?

MR. BELL: All right. That's a fair question. The first amendment is found in the bottom paragraph of page 1, and it's so called "the blind trust amendment". Did they discuss that with you?

MR. CAPLAN: I don't believe so.

MR. BELL: That's not a trick question.

MR. CAPLAN: No, I ---

MR. BELL: We're going to look at a couple of letters in a minute, July the 8th and August the 6th. And one of the things in the August the 6th letter -- and I know you have some things to say about that letter as for authorship -- but the blind trust is mentioned.

MR. CAPLAN: My only recollection of a discussion of blind trust was with regard to shares in public corporations.

MR. BELL: All right. But do you recall -- was it discussed at that June 24th meeting?

MR. CAPLAN: The blind trust with regard to shares in public corporations?

MR. BELL: Yes.

MR. CAPLAN: Yes.

MR. BELL: All right. And who explained that to you?

MR. CAPLAN: I believe it was Blenus Wright. I'm not positive, though.

MR. BELL: All right. The second amendment is found at the top paragraph of page 2, and it's the "no contracting exception". I take from your answer that was discussed and explained to you at that meeting.



MR. CAPLAN: I don't recall if the specific wording of the paragraph was, but for sure the idea was discussed in detail.

MR. BELL: All right. I think we can all presume that the specific wording wasn't discussed with you, because it hadn't been finalized as of that date, and it didn't come until, I think, mid to late July. But I just want your evidence that the substance of those two concepts were discussed.

And in the context of that exception, do I take it that IDEA Corporation was used?

MR. CAPLAN: It was one of the examples that was used.

MR. BELL: And who told you that, Wright?

MR. CAPLAN: I believe so.

MR. BELL: Do you recall what Mary Eberts reaction was when that advice was given to you?

MR. CAPLAN: No, I don't.

MR. BELL: All right. That's fair.

Would you turn to the first page again and go back to the bottom paragraph? The second line introduces a very important term, "have an interest": "No private company in which a Minister or his family has an interest ... "

Did either of them explain to you what the scope of the phrase "an interest" was in the terms of the guidelines?

MR. CAPLAN: I don't recall.

MR. BELL: Did they discuss with you in any specific way an interest?

MR. CAPLAN: They may have, but I don't recall.

MR. BELL: All right. Did they tell you what "contractually involved" meant?

MR. CAPLAN: Yes.

MR. BELL: What did they say to you in that regard?

MR. CAPLAN: That would be selling goods or services to the government or a government department, or buying services or goods from a government department.

MR. BELL: And did you understand from that meeting that was the scope of the contracts that the guidelines covered?

MR. CAPLAN: Yes.

MR. BELL: And who gave you that advice or interpretation?

MR. CAPLAN: Blenus Wright, I believe.

MR. BELL: Do you recall what Mary Eberts' reaction was when that advice was given?

MR. CAPLAN: No, I don't.

MR. BELL: Did Ms Eberts at all during that meeting indicate whether she concurred in or disagreed with the advice that Mr. Wright had given you then?

MR. CAPLAN: My recollection is they were both in agreement. It was a very harmonious ---

MR. BELL: I'm not suggesting it wasn't harmonious.

MR. CAPLAN: Harmonious in the sense that there didn't seem to be any conflict of advice.

MR. BELL: All right.

MR. CAPLAN: I came away with, I believe, a fairly clear understanding of my obligations.

MR. BELL: All right. And lastly, the last paragraph on page 3 -- did they explain that paragraph to you?

MR. GANS: I'm sorry ---

MR. BELL: The last paragraph on page 3.

MR. GANS: I now have a page 3. Papers mysteriously appear and disappear from this binder.

MR. BELL: That's just like mine.

MR. GANS: Well, I'd be obliged to get a complete one.

MR. BELL: Did they give you any explanation of what the last paragraph meant?

MR. CAPLAN: No, they didn't go into any details on what that meant.

MR. BELL: Okay. Now, would you flip back to section N again, and just turn to tab 10A which is the very next tab after the notes?

When did you first see this letter, Mr. Caplan?

MR. CAPLAN: I first saw this letter about a week ago.

MR. BELL: When were you first aware of the substance of the letter?

MR. CAPLAN: I was aware of the substance of the letter approximately at the end of July 1985.

MR. BELL: How did that come about?

MR. CAPLAN: The letter was read to me over the telephone.

MR. BELL: By whom?

MR. CAPLAN: By a member of my wife's staff.

MR. BELL: Who was that?

MR. CAPLAN: I believe it was her secretary, Joyce Bryant. I'm not positive, but I'm fairly certain that's who it



was.

MR. BELL: After she read the letter to you, did she make any comment about it?

MR. CAPLAN: She told me that the staff felt it might be advisable to reply to the letter, to send an acknowledgement to Ms Eberts.

MR. BELL: And did you give her any instructions in that regard?

MR. CAPLAN: Yes. I indicated to her what my action had been subsequent to the June 24th meeting with Ms Eberts and Mr. Wright, and she undertook to draft an acknowledgement.

MR. BELL: What was your reaction after the letter was read to you?

MR. CAPLAN: My reaction was that the letter wasn't precisely worded in the context, as I recalled the discussions, but that, in general, it seemed to cover the discussions that we had.

MR. BELL: Well, I'd like to look at a couple of sentences, if I might, in the second paragraph on the first page. "As you are also aware, Blenus Wright and I have advised Wilf that contact by Damaza with agencies of the Ontario Government looking for investment capital would present difficulties, even if he were not to take an equity in the clients benefited or sought to be benefited."

Do you recall them advising you in that regard?

MR. CAPLAN: No. That was one of the, perhaps, differences of my recollection. I don't recall Blenus Wright ever having advised me of that. I do recall -- this is what I was referring to as a political advice that Mary Eberts had given me at that meeting.

MR. BELL: You recall Ms Eberts having given you the advice at the meeting ---

MR. CAPLAN: Yes.

MR. BELL: --- which she confirmed in this letter.

MR. CAPLAN: Yes.

MR. BELL: And do I understand the only difference is you didn't recall that Wright joined her in giving that advice?

MR. CAPLAN: He didn't join her in giving that advice.

MR. BELL: He did not?

MR. CAPLAN: He did not.

MR. BELL: The next sentence: "He has advised that he will sever the relationship between Damaza and its present client, Wyda, for whom he had planned to seek Ontario Government funding."

What was your reaction to that sentence when you read it -- or had it read to you?

MR. CAPLAN: My reaction was that it was an unfortunate choice of verb she had used in the word "sever", because that wasn't my understanding at all.

MR. BELL: Well, do you recall saying anything to them as to what you intended to do as for the relationship between Damaza and Wyda?

MR. CAPLAN: I recall telling them that I would perhaps have to reconsider it on the basis of their advice, but specifically, I don't recall indicating anything to them other than the fact that I would comply with the guidelines and the advice thereto that they gave me.

MR. BELL: Why is it an unfortunate choice of verb, the choice of the word "sever"?

MR. CAPLAN: Well, the advice that I was given was to change the fee arrangement with regards to any Ontario ministry of agency financing sought, not to sever the relationship. It was to change it to comply with the advice that they were giving me, as I've indicated. That was quite clear. And it was quite clear that they were only talking in the context of any Ontario Government ministry of agency funding. She left out any reference to any federal government or private source funding.

MR. BELL: All right. Did you discuss this letter with your wife at any time?

MR. GANS: You mean in or about that time?

MR. BELL: All right. Let's say pre-June the 10th of this year.

MR. CAPLAN: No.

MR. BELL: Did you discuss the letter with anyone else pre-June the 10th of this year?

MR. CAPLAN: I don't believe so.

MR. BELL: Would you turn to tab number 15 of the same part? Is this the letter that was prepared after you instructed the member of your wife's staff?

MR. CAPLAN: This is a draft, yes.

MR. BELL: And was this draft presented to you around the time it was completed?

MR. CAPLAN: Yes, it was.



MR. BELL: By whom?

MR. CAPLAN: I'm not sure, but I believe my wife brought it home with her other voluminous packages from her office.

MR. BELL: Did she discuss it with you at that time?

MR. CAPLAN: No, she didn't.

MR. BELL: Did she discuss it with you at any time prior to June the 10th of this year?

MR. CAPLAN: No, she did not.

MR. BELL: Did she merely hand it to you?

MR. CAPLAN: Yes, she did.

MR. BELL: All right. And you read it. What was your reaction?

MR. CAPLAN: My reaction was that, in general, it outlined the events that occurred, and I wasn't happy with some of the specific wording -- I thought they were trying to perhaps parallel Ms Eberts' letter in this response -- and that it wasn't exactly accurate in some cases, but that in general it outlined the events as they occurred. I also thought it included information that was really irrelevant for the purposes of a response to her on the question of the guidelines.

MR. BELL: Did you instruct any changes to be made to the letter for the next draft?

MR. CAPLAN: No, I didn't. I waited until the actual guidelines themselves were issued, I believe, in mid-September. I then once more reviewed it. It seemed pointless at that time to even send an acknowledgement -- I hadn't personally agreed with the advice to send an acknowledgement -- and I then instructed my wife's staff that I would not issue this letter, I wouldn't sign it, and requested that it be disposed of.

MR. BELL: All right. One question before we have mid-morning break: A copy of that letter, however, was sent to Mary Eberts?

MR. CAPLAN: Yes, it was.

MR. BELL: All right. Do you know why?

MR. CAPLAN: No, I don't. I didn't even know it was sent. It wasn't with my knowledge.

MR. BELL: Mr. Chairman, I would suggest this would be an appropriate time to have our mid-morning break so that we can all gather our notes.

THE CHAIRMAN: It's based on an urgent request. We'll adjourn for ten minutes.

The committee recessed at 10:30 a.m.

The committee resumed at 10:50 a.m.

THE CHAIRMAN: I wonder if we could get underway again, please? We're all settled down?

Mr. Bell?

MR. BELL: Thank you.

Mr. Caplan, I'm still with the August the 6th letter, and the first paragraph. The first sentence, sir, does that represent your recollection of the advice that you received from Eberts and Wright?

MR. CAPLAN: Blenus Wright wasn't associated with that. That was advice that I received from Mary Eberts.

MR. BELL: Okay. The next sentence speaks to -- "Damaza attempted to withdraw from its engagement with Wyda Systems." Was such an attempt undertaken?

MR. CAPLAN: Yes, it was.

MR. BELL: And what was the extent of the attempt to withdraw?

MR. CAPLAN: I attempted to withdraw in total from the engagement with Wyda.

MR. BELL: All right. When did that occur, sir?

MR. CAPLAN: Shortly after my meeting with -- the 24th meeting with Wright and Eberts.

MR. BELL: All right. Forgive me this: Did it occur in June or July?

MR. CAPLAN: I believe it occurred in June.

MR. BELL: All right. Was this with Mr. Dobzinski?

MR. CAPLAN: This was with Mr. Dobzinski.

MR. BELL: What did you say to him at that time?

MR. CAPLAN: I told him that this was a business decision that I was coming to, that it was not directly related to anything to do with the conflict of interest guidelines, but that, on a business basis, I had to decide whether I would continue an engagement where there was a change where I wouldn't, or Damaza wouldn't, earn its fees.

Although I had no knowledge, at that time, of what the chances were that Wyda would obtain funding from an Ontario Government agency or ministry, vis-a-vis federal or private sources, I would still, because of adherence to the conflict of interest guidelines, be in a position -- Damaza would be in a position that it wouldn't earn its contingency fee if it acted on Wyda's behalf and Wyda was successful, with Damaza's assistance, in arranging Ontario ministry or agency funding.

This was a business decision that Damaza had to make, whether it wished to continue and take that business risk.

MR. BELL: All right. Just to put some flesh on that, if we assume that you were involved in obtaining financing from a provincial source of \$1 million, you would be losing entitlement to 5 per cent equity in the company, at whatever value that would have at any given time; correct?

MR. CAPLAN: Yes.

MR. BELL: Plus \$50,000.

MR. CAPLAN: Exactly. It was a business decision, and I had originally decided, after mulling it over for a couple of days, to withdraw in total.

MR. BELL: Did you discuss that decision with your wife at any time before you communicated it to Mr. Dobzinski?

MR. CAPLAN: No, I did not.



MR. BELL: Was your wife aware of your decision before you communicated it to Mr. Dobzinski?

MR. CAPLAN: No, she was not.

MR. BELL: What was his reaction?

MR. CAPLAN: His reaction was to strongly request that I reconsider, and that we retain the engagement, change the parameters of the fee arrangement to agree with the advice that I had been given from Wright and Eberts as far as the conflict of interest guidelines were concerned, and continue to act on Wyda's behalf. And if there were any approaches to be made to an Ontario Government source, that myself or Damaza would not be involved in those approaches.

MR. BELL: But you were advised that, you told us, in any event, in your meeting with Wright and Eberts, weren't you?

MR. CAPLAN: I was advised ---

MR. BELL: Well, you were advised that by Wright and Eberts.

MR. CAPLAN: Yes.

MR. BELL: And if you were to continue with Wyda, you had to do that in any event to comply with the guidelines, at least according to the advice you received.

MR. CAPLAN: Exactly.

MR. BELL: All right. And I take it you agreed to Mr. Dobzinski's proposal.

MR. CAPLAN: Yes, I did. Mr. Dobzinski is quite a persuasive man, and a good negotiator. And he pointed out to me that, in all likelihood, the arrangements would be from non-Ontario sources, and there was not much likelihood that Damaza would not earn its contingency fee -- these were some of the arguments that he used -- and as well that the project itself was one that I personally wanted to be associated with.

So, on the basis of that, I reconsidered and decided to continue the relationship with Wyda, but reframe it as instructed and advised by Blenus Wright.

MR. BELL: What did you understand to be the reason for Mr. Dobzinski's opinion that probably the sources of funding would come from non-Province of Ontario?

MR. CAPLAN: There were countless more non-Ontario Government sources than there are Ontario Government sources.

MR. BELL: Is that what you understand to be the basis of his assertion?

MR. CAPLAN: Yes.

MR. BELL: So you agreed.

MR. CAPLAN: I agreed.

MR. BELL: Why didn't you ask for an increase in the monthly rate at that time, as for Province of Ontario matters?

MR. CAPLAN: Because we had made an arrangement, I had agreed to it, and I didn't feel that I could change the arrangement with regard to the amount of the expense-related fee because it was expense related. And that was my estimate, and a deal's a deal, as far as that's concerned.

MR. BELL: Did Mr. Dobzinski offer to you, or indicate to you at that time that if Province of Ontario funding was obtained, there would be a change in the terms of your retainer?

MR. CAPLAN: I am not clear.

MR. BELL: Did he indicate to you at that time that if you got Province of Ontario funding your retainer would be changed in any way?

MR. CAPLAN: No.

MR. BELL: All right. Did you and he define the scope of internal basis only in the context of the changed arrangement with Wyda vis-a-vis attempts for Province of Ontario sources?

MR. CAPLAN: Basically that I would have no written or verbal communication with any staff, civil servants and so on, that were Ontario Government or agency related.

MR. BELL: Is that the same thing as no direct contact of any nature?

MR. CAPLAN: I believe so, yes.

MR. BELL: Did you ever reduce that to written form?

MR. CAPLAN: No, we didn't.

MR. BELL: Why?

MR. CAPLAN: There were no written agreements between us. The closest it ever came was in this draft letter, but that wasn't with Mr. Dobzinski.

MR. BELL: Did either of you make any notes at or after that meeting, to the extent that you would know what Dobzinski did after the meeting?

MR. CAPLAN: I don't recall that I made any notes, and I am not aware of what he did.

MR. BELL: The last sentence in the first paragraph of the August 6th letter, sir -- and this may be a product of



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my preoccupation with chronology -- but you have indicated that Damaza has continued its client relationship with Wyda on this new basis since mid June. Now, does "new basis" in the context of that paragraph refer to internal basis only?

MR. CAPLAN: I believe it refers to the total relationship, being the contingency and the contact basis.

MR. BELL: Well, the adjective "new", is it in relation to the original retainer?

MR. CAPLAN: Yes.

MR. BELL: All right. This chronology can't be accurate then, because ---

MR. CAPLAN: It is not.

MR. BELL: All right. That is what I should have asked you in the first place.

And that is attributed to the author of the letter?

MR. CAPLAN: Exactly.

MR. BELL: The last paragraph, just for completion, there is a reference to blind trust, and that refers to what you indicated earlier in the context of applicable securities.

MR. CAPLAN: Yes, it does.

MR. BELL: Did you ever place any of your securities in blind trust?

MR. CAPLAN: No, we sold them.

MR. BELL: Did you ever have, prior to June the 10th, any discussions with Mary Eberts about this letter?

MR. CAPLAN: No, I did not.

MR. BELL: Did you ever, prior to June the 10th, have any discussions with anybody else about this letter?

MR. CAPLAN: The only contact was with, I believe,

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Joyce Bryant. Other than that -- Joyce Bryant, who read me a letter. Other than that, I had no discussions or contact with regard to anybody else.

MR. BELL: All right. You indicated that you held this letter in abeyance pending receipt of the actual guidelines, the ones that we have looked at in tab number C?

MR. CAPLAN: Yes.

MR. BELL: I take it that when you received those guidelines sometime in September you reviewed them?

MR. CAPLAN: I did.

MR. BELL: Do those guidelines, and particularly the two amendments that we have already looked at, are those -- are the provisions of those guidelines consistent with the explanation you were given by Eberts and Wright on June the 24th?

MR. CAPLAN: I still can't recall discussions about placing blind trusts as far as interests in private companies. The second amendment, as I recall, was consistent with the discussion I had with Mary Eberts and Blenus Wright.

MR. BELL: After you received the guidelines sometime in September, did you consult with anybody in a legal or other capacity as to the provisions of the guidelines in the context of your particular business arrangements?

MR. CAPLAN: After the -- yes, I did.

MR. BELL: Who?

MR. CAPLAN: Blenus Wright.

MR. BELL: All right. We are going to talk about those in a minute. Other than Blenus Wright, anybody else?

MR. CAPLAN: No.

MR. BELL: I think you have indicated this. The August 6th letter was not typed by your staff?

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MR. CAPLAN: That is correct.

MR. BELL: It wasn't typed at Wyda's offices?

MR. CAPLAN: That is correct.

MR. BELL: But at your wife's office?

MR. CAPLAN: I believe so.

MR. BELL: How did they get your stationery?

MR. CAPLAN: My wife would have taken it down to them.

MR. BELL: All right. I have described the first, the original terms of the retainer that you negotiated with Dobzinski, the last term, i.e. the \$50,000, sometime the beginning of July, as retainer number one. Can you and I agree on that?

MR. CAPLAN: Yes.

MR. BELL: Is it fair to describe the retainer "on the new basis," which includes the component of internal basis only as for Province of Ontario sources as retainer number 2?

MR. CAPLAN: Not quite. There is an addition that the contingency arrangement was changed from one of \$50,000 on the closing of the financing, plus the five per cent equity in the company, to a straight percentage contingency fee on the closing of financing from any source other than Ontario Government or Ontario agency.

MR. BELL: But that wasn't done as of August the 6th when that letter was written on your behalf?

MR. CAPLAN: It wasn't finalized at that point.

MR. BELL: All right.

MR. CAPLAN: We were still negotiating the percentages.

MR. BELL: Okay. What you have just told us is that at sometime subsequent to the August 6th letter, or the internal basis only arrangement, you had further



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discussions with Mr. Dobzinski as per the terms of your retainer?

MR. CAPLAN: Not quite. We had those discussions from the time that I told him that I couldn't take the equity. We then agreed that there would have to be a contingency fee based on a percentage of the financing raised from other than Ontario Government sources, and from that time forward from time to time we were negotiating what that percentage contingency fee was. So those discussions had started prior to this letter.

MR. BELL: All right. And I think you have indicated to me before today that those discussions concluded sometime in November of '85, wherein that term was ---

MR. CAPLAN: I believe September/October.

MR. BELL: --- adjusted. All right. And that is their retainer that was confirmed in your letter of January the 31st, 1986?

MR. CAPLAN: No, sorry.

MR. BELL: When was that confirmed?

MR. CAPLAN: That was not confirmed in writing. We eventually agreed, in September/October of 1985, that the contingency would be 8 per cent of any financing raised, except for Ontario Government or government-related funding.

MR. BELL: Eight per cent?

MR. CAPLAN: Yes.

MR. BELL: Where does that -- I don't see that anywhere in written form.

MR. CAPLAN: No, it is not.

MR. BELL: How long did that term last?

MR. CAPLAN: That lasted approximately one month.

MR. BELL: And why was it changed?

MR. CAPLAN: It was changed at Mr. Dobzinski's request because he felt that the Wyda would require as much of the funding as possible and, rather than paying Damaza a contingency fee at the time of closing, he would prefer to offer Damaza a profit participation in Wyda so that he could conserve the cash that was raised on any subsequent financing.

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MR. BELL: And after that came the one reflected by the January 31st, '86 letter?

MR. CAPLAN: Yes.

MR. BELL: And then just to complete the sequence, that was subsequently changed by your letter of August the 14th, '86 to the \$8,000 per month?

MR. CAPLAN: I am sorry?

MR. BELL: I am sorry, April 14th, 1986. That was covering an entirely new engagement?

MR. CAPLAN: That is correct.

MR. BELL: But it is a change in the retainer. All right. It represents a replacement in the retainer -- of the retainer?

What word are you comfortable with?

MR. CAPLAN: A new deal.

MR. BELL: Okay.

MR. CAPLAN: It is an entirely new engagement.

MR. BELL: Now, have you told us about all of the either changes in retainers or new engagements between Damaza and Wyda during this period?

MR. CAPLAN: I believe so.

MR. BELL: Okay. We heard yesterday from Mr. Dobzinski that around the time you introduced to him the need to comply with the guidelines, which excluded you on a direct basis from participation in efforts for provincial funding that there was a need to find a replacement for the service that was originally contemplated for you?

Are you aware of that testimony by him yesterday?

MR. CAPLAN: I have been informed of it. I haven't seen the transcript of the testimony.

MR. BELL: Would you turn to part Q in tab 14,



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please?

Did you introduce to Mr. Dobzinski the matter of Wyda's engagement of or retaining Canadian Intercorp, and Mr. Fleischmann particularly?

MR. CAPLAN: Yes, I did.

MR. BELL: When did that occur?

MR. CAPLAN: I believe it was sometime in July.

MR. BELL: Of '85?

MR. CAPLAN: Of '85, yes.

MR. BELL: And why did you raise it with Mr. Dobzinski?

MR. CAPLAN: At that time there were some efforts to get started in sourcing various institutions that could provide financing to IDEA -- to Wyda, sorry -- and since I was not going to be able to act in that capacity with regard to any Ontario agency, I suggested to Mr. Dobzinski that he retain another consultant for those purposes, since he was not comfortable himself in making the approaches, and I recommended Canadian Intercorp for that purpose.

MR. BELL: Why? Why Intercorp specifically?

MR. CAPLAN: Canadian Intercorp had been in the business of contacting government agencies, both federal government and provincial government, on behalf of clients, had been involved in seeking funding from ministries and agencies on behalf of clients, and was very knowledgeable and experienced in this particular field.

I believe we had already discussed with Canadian Intercorp their approaching the federal government, particularly the Department of Regional and Industrial Expansion, for funding on behalf of Wyda; and they were the most effective firm that I felt I could recommend to my client, Wyda. I had known Mr. Fleischmann as a friend for over 30 years. So he was known to me, his firm was known to me, and their business was known to me.

MR. BELL: Had you done business with that company and Mr. Fleischmann previously?

MR. CAPLAN: No.

MR. BELL: Had you ever used their services for yourself or on behalf of any of your clients previously?

MR. CAPLAN: No.

MR. BELL: All right. We know Mr. Dobzinski accepted your recommendation.

MR. CAPLAN: Yes, he did.

MR. BELL: Did you make the first approach to Mr. Fleischmann?

MR. CAPLAN: Yes, I did.

MR. BELL: Tell us about that.

MR. CAPLAN: I called Mr. Fleischmann -- I believe the first approach to Mr. Fleischmann was with regard to the federal government financing, and I called him and arranged a meeting in Wyda's offices, amongst himself, myself and Mr. Dobzinski. Mr. Dobzinski familiarized him with Wyda, its product, its markets; all the background necessary to bring him up to speed; and Mr. Fleischmann then proceeded to make appointments with staff from the Department of Regional Industrial Expansion.

At the time that the Ontario Government, question of approaches to the Ontario Government agencies came up, I called Mr. Fleischmann and asked him to expand his engagement to cover that aspect of it as well.

MR. BELL: So I can understand that correctly, prior to your advice from Eberts and Wright and your subsequent discussion with Dobzinski respecting that advice, I understand Wyda had already retained Mr. Fleischmann's services in the federal context?

MR. CAPLAN: I believe so.

MR. BELL: All right. Subsequent to that advice and that discussion, the scope of his retainer, as you said, was expanded?

MR. CAPLAN: Yes.

MR. BELL: When did that occur?

MR. CAPLAN: That would be in, I believe, early July.

MR. BELL: All right. When was he initially retained?

MR. CAPLAN: I believe in late June.

MR. BELL: All right. On either of those occasions were either of those retainers confirmed in writing, to your knowledge?

MR. CAPLAN: To the best of my knowledge they were not.

MR. BELL: Why?

MR. CAPLAN: I don't know the answer to that question.

MR. BELL: Okay. We have heard that his fee was one per cent of financing that was arranged -- I think the phrase used by Mr. Dobzinski was by one of his contacts.

MR. CAPLAN: One per cent of the financing arranged from a source that Mr. Fleischmann introduced and was associated with with regards to Wyda.

MR. BELL: All right. Did you negotiate that percentage fee on Wyda's behalf with Fleischmann?

MR. CAPLAN: Yes.

MR. BELL: Was that pursuant to Mr. Dobzinski's instructions?

MR. CAPLAN: Yes.

MR. BELL: Did you, as far as Wyda is concerned, conclude the agreement with Mr. Fleischmann as for his services?

MR. CAPLAN: I took the negotiations back to Mr. Dobzinski; he approved them on behalf of Wyda; and I



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communicated that to Canadian Intercorp and Mr. Fleischmann.

MR. BELL: And finalized the arrangement?

MR. CAPLAN: Yes.

MR. BELL: All on behalf of Wyda?

MR. CAPLAN: Right.

MR. BELL: Prior to -- do you recall when that was? You've already told us that, I think, sometime in July ---

MR. CAPLAN: Yes.

MR. BELL: Prior to that date had you discussed with Dobzinski or anybody else at Wyda, the IDEA Corporation and any prospects for financing from that source?

MR. CAPLAN: Not that I was aware of.

MR. BELL: I am sorry?

MR. CAPLAN: Not that I can recollect.

MR. BELL: Were you aware whether the IDEA Corporation had already been introduced to, or aware of Wyda and its need for financing?

MR. CAPLAN: It had not been introduced to Wyda, to the best of my knowledge; I was not aware of it ever having been introduced to Wyda.

THE REPORTER: I'm sorry, Mr. Chairman, we have lost our power.

THE CHAIRMAN: We will have to hold up proceedings for a moment.

THE REPORTER: All right, we have our power back.

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THE CHAIRMAN: Okay, we can continue.

MR. BELL: I guess we know who the most important person in this room is.

We heard yesterday from Mr. Dobzinski that Mr. Fleischmann gave regular reports to Wyda as for his activities on its behalf. Were those reports made to you?

MR. CAPLAN: There were reports made to me; I can't categorize them by "regular reports" and so on, but there were reports made to me.

MR. BELL: And did those reports include details as for his activities with IDEA?

MR. CAPLAN: I don't recall ever receiving detailed reports and specifically, with regard to IDEA, I don't recall him doing any detailed reports. The reports would be in the nature of a mention that he was conducting introductions. His major -- with anything dealing with the Ontario government -- his major contact was with Mr. Dobzinski because I didn't want to be involved in the contact. And he would tell me by way of information that things were progressing, or whatever the case may be, in general terms.

The detailed reports that he was giving would be more with regard to the federal financing which he was also involved with on a parallel basis.

MR. BELL: All right.

What do you understand that Mr. Fleischmann's activities were in respect of IDEA?

MR. CAPLAN: I believe that he made the original contact with IDEA and introduced the Wyda file to IDEA Corporation.

MR. BELL: Do you know specifically with whom he dealt and when?

MR. CAPLAN: No, I do not.

MR. BELL: Now, would you turn to the last page of this part, Q-14, and particularly the account dated April the 7th, 1986?

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Do you have it?

MR. CAPLAN: Yes, I do.

MR. BELL: Why was it sent to you, sir, if you know?

MR. CAPLAN: I don't know.

MR. BELL: Had you received, prior to that date, any other communications in written form from Fleischmann, or that company?

MR. CAPLAN: With regards to IDEA Corporation?

MR. BELL: With regards to his efforts ---

MR. CAPLAN: No, I hadn't.

MR. BELL: What did you understand the account to be for?

MR. CAPLAN: I believe the account is for the first segment of the original IDEA financing proposal.

MR. BELL: Do you understand that it says that: "This payment is to include any work done by the company of Mr. Fleischmann in respect of any other possible sources of funding"?

MR. CAPLAN: Well, you're in the fee based on IDEA financing, and that's the account that he's rendering.

MR. BELL: And your understanding is he's paid exclusively for what he did vis-a-vis IDEA?

MR. CAPLAN: He's paid for the success of Wyda in arranging financing with one of his sources, the IDEA Corporation.

MR. BELL: Regardless of the nature and extent of that work?

MR. CAPLAN: Yes, that would be the arrangement.

MR. BELL: How did he know to charge Wyda



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\$30,000, which is 1 per cent of the \$3 million financing?

MR. CAPLAN: Because I had told him that Wyda was successful and had gotten approval from the IDEA Corporation.

MR. BELL: All right.

Did you keep him informed of the progress of the negotiations between Wyda and IDEA leading to the financing approval?

MR. CAPLAN: No, I did not.

MR. BELL: When did you tell him about the \$3 million director's approval?

MR. CAPLAN: It would probably be April the 7th.

MR. BELL: All right.

And you must have also told him about the two-stage with the option provision?

MR. CAPLAN: Yes.

MR. BELL: All right. And we know from the next two documents that on April the 18th, you gave Mr. Fleischmann a cheque for the full \$30,000 amount?

MR. CAPLAN: Yes.

MR. BELL: Why did you -- why would you pay it on that day?

MR. CAPLAN: That was the date that the funds were advanced from IDEA to Wyda.

MR. BELL: All right, but why was he paid on that day? Is that a term of his deal with Wyda?

MR. CAPLAN: Mr. Dobzinski was leaving the next day for Israel for a two-week holiday and I believe he wanted to clear up as much of the documents and the payments as he could. He was the only signing officer; I

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was not a signing officer for the company, so he would have to in fact sign the cheques.

MR. BELL: All right.

Are you aware now, sir, of IDEA's policy with respect of payments of monies on closing of financing to individuals, such payments in the form of commission or finder's fee?

MR. CAPLAN: Only through reading the transcript of this committee.

MR. BELL: All right.

MR. CAPLAN: I'm not clear, really, on what that policy is, by the way.

MR. BELL: I'll bite my tongue.

MR. GANS: I'm sorry?

MR. BELL: I'll bite my tongue; I'm not clear on a lot of things in written form, as I'm sure a lot of us in this room aren't.

MR. CAPLAN: There was never anything in writing from IDEA.

MR. BELL: How do you categorize that \$30,000? As either a commission or a finder's fee?

MR. CAPLAN: A commission.

MR. BELL: A commission?

MR. CAPLAN: Yes.

MR. BELL: I have to ask you this question on the record, Mr. Caplan, and get your answer.

Have you received from Intercorp or Mr. Fleischmann, or anyone on its behalf, either directly or indirectly, or has any member of your family so received, either directly or indirectly, any benefit of any kind whatsoever in any form in respect of the \$30,000 that was paid by Wyda to Intercorp?

MR. CAPLAN: I have not, nor has any member of family.

MR. BELL: Did you ever consider whether your involvement in the arrangement with Mr. Fleischmann by Wyda was consistent with the restrictions and obligations of the guidelines?

MR. CAPLAN: Yes.

MR. BELL: When did you consider that?

MR. CAPLAN: At the time I recommended it to Mr. Dobzinski.

MR. BELL: And I will ask you, I think, what was your conclusion?

MR. CAPLAN: That it was totally consistent.

MR. BELL: Did you ever seek the advice of anybody as for that matter?

MR. CAPLAN: No, I did not.

MR. BELL: As best as you can recall, sir, when did -- have I asked you whether in your discussions with Fleischmann the IDEA Corporation was raised as a possible source of funding?

MR. CAPLAN: I don't recall if you have asked me that, but it was.

MR. BELL: Is this these discussions that you have described already, leading to the finalization of his retainer?

MR. CAPLAN: I am not sure. I believe that it was as a result of an article in the Report on Business that Mr. Dobzinski saw dealing with the IDEA Corporation in the



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summer of 1985, which he brought to my attention, and I suggested that we have Canadian Intercorp perhaps follow up with IDEA Corporation as a suitable source for Wyda financing.

MR. BELL: And as far as you can recall, was Intercorp instructed by Wyda to introduce Wyda to IDEA?

MR. CAPLAN: I believe so.

MR. BELL: And do you know what happened pursuant to those instructions?

MR. CAPLAN: Contact was made by Canadian Intercorp, and eventually an application was submitted by Wyda to IDEA. But I don't know the details of who was contacted and what happened, how it got from the contact into the IDEA staff.

MR. BELL: All right. We have heard testimony from other witnesses concerning a meeting between Peter Barnes and Mr. Fleischmann. August the 14th was the date that Mr. Barnes recalls. Do you know anything about that meeting?

MR. CAPLAN: The date sounds reasonable; and as I recall the article in the Report on Business, it was sometime around the beginning of August, but I don't have details; and I don't recall the name Peter Barnes.

MR. BELL: We know from the IDEA documents, and it is tab number 2 of those documents, that they got a business plan and put a date stamp on it of August the 12th. Can you help the committee as to how IDEA got that business plan on that day?

MR. CAPLAN: I believe Mr. Dobzinski sent it to them, but I am sorry, I can't -- I don't know what the details are.

MR. BELL: Do you know how Mr. Dobzinski knew to send it to IDEA?

MR. CAPLAN: No, I don't.

MR. BELL: Now, subsequently we have heard,

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subsequently to the August the 12th or 14th date, there were direct contacts between Wyda and IDEA. And we have heard the first face-to-face contact was at Wyda's offices on October the 3rd, a meeting between Parikh and Cannon and Wyda people.

Did you participate in that meeting?

MR. CAPLAN: No, I did not.

MR. BELL: Were you in the offices during that time?

MR. CAPLAN: I don't recall, but I very well could have been. I do recall there was some meetings, and in my desire not to have any contact, I closed my office door so that no one would see me and I would see no one.

MR. BELL: All right. Did you have any specific discussions with Mr. Dobzinski prior to that meeting as for your involvement in those meetings?

MR. CAPLAN: Yes, I did.

MR. BELL: And can you tell us about that discussion?

MR. CAPLAN: Well, it was in line with my general wish not to have any contact with any staff from Ontario Government ministries or agencies, and when he informed me that we would be moving, Wyda would be moving to the meeting stage with the IDEA Corporation, I asked him to make them aware of the facts that I was the husband of Elinor Caplan, who was a cabinet minister in the Ontario Government, and the fact that although I was shown as a vice-president, finance, that Damaza was in a consulting arrangement with Wyda.

MR. BELL: All right. The next meeting we know about occurred at IDEA's offices on October the 9th with Mr. Dobzinski and at least Logan. We have heard evidence that you were originally slated to attend that meeting, and I take it you didn't, for the reasons that you have already indicated?

MR. CAPLAN: Yes, if I was slated, it wasn't with my concurrence. But I never attended the meeting.

MR. BELL: Now, we have heard evidence that subsequent to October 9th there were a series of communications either in a direct way by telephone call or meetings or by the provision of material from Wyda to IDEA up to the end of 1985. Were you involved in any direct way with the IDEA people?

MR. CAPLAN: No, I was not.

MR. BELL: What was the nature and extent of your involvement up to that date?

MR. CAPLAN: My involvement was to provide strategic and tactical advise to Mr. Dobzinski in his negotiations with IDEA and in the other financing medium, and to prepare the business plan and the financial projections for an application to any financial body.

MR. BELL: Okay.

MR. CAPLAN: And to provide the other financial services that I have mentioned to you in the past.

MR. BELL: Now, the first record that I have been able to determine and the committee has been able to determine of any meeting between you and the IDEA people is January the 16th, 1986, and that is reflected in tab Q, item number 7, being a letter from you to Parikh confirming that meeting. Does that accord with your recollection as for the first occasion?

MR. CAPLAN: Yes, it does.

MR. BELL: All right. What was the purpose of that meeting, sir?

MR. CAPLAN: The purpose of that meeting was to provide IDEA staff with the background to the financial projections, with the methodology, with the details and intricacies involved in building those financial projections, in the analysis of the marketing plans, in the analysis of the total business plan. They had to have an understanding of the direction that I took in constructing those projections in that plan.

MR. BELL: Does this letter of January 10th represent the first time that you made any direct written communication to IDEA?

MR. CAPLAN: Yes, it does.



MR. BELL: Before that happened, either the January 10th occasion or the January 16th occasion, did you have any specific discussions with Dobzinski, or anybody else at Wyda, concerning that direct contact?

MR. CAPLAN: Yes, I did.

MR. BELL: Tell us about those.

MR. CAPLAN: Prior to the middle of January, all contact -- or all communication flow had been through Mr. Dobzinski. It was very difficult, given the degree of detail and intricacy that IDEA wanted, to transmit that through Mr. Dobzinski. The IDEA staff had informed him that they wished to present a proposal for a financing of Wyda to the IDEA board at its next meeting on February the 19th, 1986.

They were working on a number of files. Wyda was not the only file that this staff group was working on. And they could only devote so much time to the Wyda file. If they did not have direct communication with me on the myriad of details that they wanted, then there would be no way that they could have their proposal ready in acceptable form for the February 19th IDEA board meeting; and they would have to postpone the proposal until a later board meeting.

Mr. Dobzinski was extremely concerned that Wyda not miss a proposal to the February 19th board. He expressed his understanding that the treasurer, the Ontario treasurer in his October 1985 budget, had talked about the windup of the IDEA Corporation, and he, Mr. Dobzinski, was concerned that if Wyda did not present and get approval at that meeting, there was a possibility, which he did not want to undertake, that IDEA would be out of business before it could get a look at the Wyda proposal.

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He therefore strongly urged me to have direct contact with staff from IDEA. I thought very seriously about this and it seemed to me that my professional obligation would not allow me not to accede to his wishes. My client had a real concern, a genuine concern, and if I refused to contact the people at IDEA and discuss purely the financial projections and financial and technical matters, there was a likelihood that I would put my client's financing in jeopardy. I could not do that.

I therefore told Mr. Dobzinski that I would agree to contact and discuss the financing proposals and the financial projections, the technical matters with the IDEA staff on the clear understanding that there could be no political inferences, suggestions, discussions, or innuendoes at any meeting that I had with the IDEA staff and if there were, that I would immediately leave the room and never have contact with them again.

MR. BELL: You mean political innuendoes, or suggestions from any source?

MR. CAPLAN: From any source. He communicated that to IDEA, they agreed and we met. I must say that the IDEA staff were circumspect in that regard.

MR. BELL: That occurred before the June 16th meeting?

MR. CAPLAN: January.

MR. BELL: January 16th meeting. Correct?

MR. CAPLAN: Yes.

MR. BELL: Before you made that decision, did you consider its implications against the guidelines and the advice that you had received from Wright and Eberts?

MR. CAPLAN: Yes, I did.

MR. BELL: What was your conclusion?

MR. CAPLAN: My conclusion was that contact in no way violated the guidelines or violated the advice on the guidelines that I had received from Wright and Eberts. The only advice that it violated was the political advice that

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Mary Eberts had given me about contact and that was only political advice for appearances sake. In my particular view, IDEA was already aware of who I was. I had made sure that they would be aware of who I was at the beginnings of their contacts with Wyda and I did not in my view have a choice. There was no contravention of the guidelines. I was following the advice. My client had a real need which I had a professional responsibility to satisfy.

MR. BELL: Did you seek advice from Wright or Eberts or any other source as to whether your decision would comply with the obligations and restrictions of the guidelines?

MR. CAPLAN: No.

MR. BELL: Why not?

MR. CAPLAN: Because it was clear to me that they were not based on the advice that I had received up to that point in time.

MR. BELL: Did you discuss your decision before you made it with Mrs. Caplan?

MR. CAPLAN: No, I did not.

MR. BELL: Did you discuss your decision after you had made it up to June the 10th with Mrs. Caplan?

MR. CAPLAN: No, I did not.

MR. BELL: Why not?

MR. CAPLAN: I had undertaken and communicated to my wife at the very beginning in June of 1985, that I would do whatever was necessary to comply with the guidelines. I would make whatever arrangements were necessary to do that. She was very comfortable with that and there was no time where there was a need to reinforce that. I was complying with the guidelines. I was complying with the advice. There was no necessity to communicate with her.

BELL: Now, I'm sure it is useful to list all of the meetings that you attended but can we agree that you attended at least two meetings in January with IDEA people?



MR. CAPLAN: I believe that would be correct.

MR. BELL: And, if we are going to look at a note I think of yours, you attended at least one -- a meeting on February the 12th?

MR. CAPLAN: I believe that is correct.

MR. BELL: All right. Is it correct that at least two of those meetings you attended with Mr. Dobzinski?

MR. CAPLAN: I believe I attended all three meetings with him.

MR. BELL: All three with Mr. Dobzinski?

MR. CAPLAN: I believe so.

MR. BELL: Can we agree that at some or all of those meetings, some of the terms of the deal were negotiated?

MR. CAPLAN: Yes.

MR. BELL: Did you participate in those negotiations?

MR. CAPLAN: I did not participate directly with those negotiations.

MR. BELL: Well, how did you participate?

MR. CAPLAN: I advised Mr. Dobzinski privately as the negotiations were unfolding. In other words, I didn't enter into any direct -- I would either whisper in his ear or we would caucus in one end of the room while they caucused in the other end of the room, but I did not participate directly in the negotiations. I communicated my function to him as a consultant and an advisor.

MR. BELL: You may want to just look at a couple of IDEA documents for a moment -- Tabs 8 and Tab 9. It is just to assist you.

MR. GANS: I'm sorry, what coding?

MR. BELL: Tab 8, Tab 9 -- IDEA documents. Sorry.

MR. GANS: Thank you.

MR. BELL: And you should open as well in the Wyda material, Tab 10, which is your note of February the 12th, '86.

MR. GANS: Q 10?

MR. BELL: Q 10.

MR. GANS: All right. Bare with me for a few seconds.

MR. BELL: No problem. Have you got all of that?

MR. CAPLAN: I have got 8 and 10, and did you say 9 as well under IDEA?

MR. BELL: Yes, you can flip back and forth among any of those to suit your purpose but one thing is clear and we have had this confirmed from other witnesses, up to and including January the 27th, IDEA, as far as staff were concerned, were prepared to go with a million dollar investment. Correct?

MR. CAPLAN: I'm not certain on the date and the amounts that Mr. Dobzinski related to me varied.

MR. BELL: All right. Well, look at Tab 8.

MR. CAPLAN: I'm not arguing I'm just --

MR. BELL: Well, if you look at Tab 8 and you look at the third paragraph on the first page, it will tell you what --

MR. GANS: You are making reference to the paragraph starting, "IDEA Corporation is prepared to recommend"?

MR. BELL: Right.

MR. GANS: Okay.

MR. BELL: They are prepared to go to a million?

MR. CAPLAN: Right.

MR. BELL: If you flip to Tab 9 and you look at the part of page one under IDEA's participation, they are clearly prepared to go to three. Correct?

MR. CAPLAN: Yes.

MR. BELL: Something happened between the 27th of January and the 12th of February when this document was prepared to convince IDEA's people to go up two millions dollars. Correct?

MR. CAPLAN: So it seems, yes.

MR. BELL: Were you in attendance at any meetings, and you should make reference to your notes at Q 10 wherein negotiations occurred to increase that investment from one to three million?

MR. CAPLAN: I have this handwritten note of mine at that meeting. I was in attendance.



MR. BELL: And if you look at the last third of that note, will you agree with me that what you've set forth there are the terms of the \$3 million investment that IDEA was then prepared to go with?

MR. CAPLAN: That was one of the proposals that they put forward at that meeting.

MR. BELL: All right. Well, bear in mind that this is February 12th, the same date of the venture summary, IDEA's tab 9, and that's the document that went to the directors.

MR. CAPLAN: Yes.

MR. BELL: So am I correct that at that meeting, that the amount that IDEA's people were prepared to recommend to the directors was finalized at \$3 million?

MR. GANS: If I might observe -- and, pardon me; I undertook to myself never to open my mouth at these proceedings -- but I should observe that the IDEA document at tab 9 makes reference to 1.6 for \$17.5 and 1.4 for an additional \$9.

MR. BELL: Yes.

MR. GANS: Do you see that at the bottom?

MR. BELL: Yes.

MR. GANS: Mr. Caplan's notes talk in terms of different percentages, but the total is, in fact, the same.

MR. BELL: That's a good point, and that's a fair comment. You're recording some position that IDEA took at that meeting at the time you took the note.

MR. CAPLAN: I'm recording a position that either Wyda proposed or IDEA proposed -- I can't remember precisely -- at that point in time.

MR. BELL: All right. But going back to my ---

MR. CAPLAN: This was a rolling negotiation.

MR. BELL: Yes, but it was rolling at one day right now, correct?

MR. CAPLAN: Well, I have no idea on the date of

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the venture summary of February the 12th.

MR. BELL: Well, you can presume that the evidence that this committee has heard is that the deal was finalized as far as staff were concerned when that Venture Summary was prepared.

MR. CAPLAN: All right.

MR. BELL: All right. You had a meeting with Dobzinski and IDEA people on February the 12th. My question is: Was the \$3 million, as the term of the amount of the financing, finalized, as far as you people and IDEA people were concerned, at that February the 12th meeting?

MR. CAPLAN: As I recollect, these notes were the initial proposals at that meeting, which was, I believe, an early morning meeting that were given to us by IDEA, along with the requirements that they wanted -- productions that they wanted as well in the first couple of notes.

The negotiations then proceeded from this point on February 12th, and you have the February 12th venture summary, which sounds like that is where they wound up -- or that is what IDEA staff was prepared to recommend to its board.

MR. BELL: When that meeting concluded on February the 12th, did you and Mr. Dobzinski understand that IDEA was prepared to go with \$3 million?

MR. CAPLAN: We understood that IDEA was prepared to go with some amount around \$1.5 million or \$1.7 million or \$1.6 million -- the various numbers are mentioned -- as an immediate proposal with an option for a further amount up to the \$3 million figure, yes.

MR. BELL: That's the deal.

MR. CAPLAN: Yes.

MR. BELL: Okay. And when you entered that meeting, as far as you and Dobzinski were concerned, they were only prepared to go to \$1 million.

MR. CAPLAN: No. When I entered the meeting on February the 12th, this was -- their original suggestion was on tab 10, what I have as their proposal.

MR. BELL: Let me choose my words more carefully. Before you entered that meeting, did you and Dobzinski understand that IDEA was prepared to go to \$1 million?

MR. CAPLAN: No.

MR. BELL: When did you first understand that they were prepared to go to \$3 million?

MR. CAPLAN: I can't remember when Mr. Dobzinski would make me aware of that, but it was obviously between January 27th and February 12th. These negotiations were continuing ones with him and the people from IDEA.

MR. BELL: And concluded at that February 12th meeting?

MR. CAPLAN: Concluded -- they weren't concluded up until the day of closing in the sense of how things were eventually structured.

MR. BELL: \$3 million.

MR. CAPLAN: \$3 million, yes.

MR. BELL: Concluded.

MR. CAPLAN: Yes.

MR. BELL: What was your participation at that February the 12th meeting?

MR. CAPLAN: I did not participate in the direct negotiations. I advised Mr. Dobzinski as the negotiations unfolded in the way of a counsellor or a consultant.

MR. BELL: Did you speak directly, at any time, to the IDEA people at that meeting, aside from "Hello" and "Goodbye"?

MR. CAPLAN: I don't recall ever doing that.

MR. GANS: You mean in respect to the negotiations?

MR. BELL: Yes.

MR. CAPLAN: In respect to the negotiations, I don't



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recall ever speaking to them.

MR. BELL: Okay. Now, you indicated, sir, at the beginning of your testimony that you've started some participation in your business now, Taurus, in March of 1986  
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MR. CAPLAN: Yes.

MR. BELL: --- while you were still providing services to Wyda.

MR. CAPLAN: Yes.

MR. BELL: Did you make that known to Wyda or Mr. Dobzinski?

MR. CAPLAN: No, I did not.

MR. BELL: Why not?

MR. CAPLAN: I had made the decision to go into an entirely new business, and I had also made the decision that I had a professional responsibility to finish my assignment with Wyda for the second-round financing.

Mr. Dobzinski, at this point in time, was under phenomenal pressure. The existence of his company and the viability of this terrific project that he had been instrumental in getting underway was really in jeopardy. I did not feel it was fair to put more pressure on him by telling him that I was going to be leaving. And therefore, I didn't tell him so.

MR. BELL: When did you first communicate your decision to go into this business to Mr. Dobzinski?

MR. CAPLAN: I believe it was April the 12th.

MR. BELL: And what were the circumstances of that discussion?

MR. CAPLAN: In the morning of April the 12th -- which I believe was a Saturday morning -- the Wyda and IDER officers had executed all the agreements between IDER and Wyda to finalize the financing. In effect, the Wyda solicitors advised us that the deal was done. That took place in the morning at the offices of the IDER

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solicitors, Blake Cassels, and after that we went for lunch, Mr. Dobzinski and his father-in-law and myself.

At that point, I informed him of my decision and the arrangement that I had made, and told him that I wished to leave immediately on the conclusion of the then-current month's engagement, which would have been April the 16th, 1986.

MR. BELL: What was his reaction?

MR. CAPLAN: He asked me to reconsider. He suggested that I not leave him in the lurch professionally. He told me that -- which I knew -- it had taken so long to arrange the second-round financing, almost ten months, that he did not want to lose any time on initiating the search for the third-round financing, which was the marketing financing for the corporation.

He also wanted me to assist him in obtaining a successor to myself, and not lose any time, and not lose any involvement in the financial aspects of the company while he searched for a successor.

I was very reluctant to start this new engagement. I wanted to get on with my own business. However, the appeal to my professional responsibility and our friendship was one that was very difficult for me to ignore. I agreed that I would stay for no more than three months, but even then it would be on a month-to-month basis, and it would be reviewed at the beginning of each month, and that I had his undertaking that as soon as he felt, within that three-month period, that he could release me, hopefully at the end of one month, then I could proceed onto my own business.

MR. BELL: How was the \$8,000 per month figure arrived at, sir?

MR. CAPLAN: I offered Mr. Dobzinski the same rate arrangement, the same options, with one exception, that I had offered him at the beginning of the second-round financing engagement in June of 1985. He could have the Damaza services for the third-round financing on a per diem basis of \$150.00 an hour or on a flat retainer fee of \$8,000 per month. The choice was Wyda's.

I could not offer him the contingency fee option, which was another one of the options and the one that he selected, at the middle of June, 1985.

MR. BELL: Why?

MR. CAPLAN: I could not offer for two reasons. One of the reasons was the engagement was a short one and therefore I did not want to, down the road, get into any discussions as to what Damaza's arrangements and involvement had been in arranging financing for Wyda; but more importantly, if Damaza was successful in arranging third-round financing for Wyda, and Damaza took a contingency fee such as we had previously ranged at 5 per cent of the profits for 1987 and 1988, up to \$600,000, that would put me in a direct contravention of the conflict of interest guidelines. So I could not offer that option to Wyda in order to comply with the guidelines.

MR. BELL: Would you turn to your material in part I of the committee's brief, and I don't know what page it will be in yours. It is 13 in mine. But it is your letter of April the 14th, 1986.

MR. CAPLAN: I am sorry. You mentioned the page reference?

MR. BELL: It is page 13 in mine, but it is liable to be anything in yours.

MR. CAPLAN: It is 13 in mine as well.

MR. BELL: Hallelujah!

I take it on Monday following that April the 12th discussion with Mr. Dobzinski you instructed this letter be prepared?



MR. CAPLAN: I believe so. I am sure if I instructed, (Mr. Caplan)

but the letter was prepared and -- yes.

MR. BELL: All right. Why did you confirm this retainer in writing?

MR. CAPLAN: It was basically to underline the fact that it was at Wyda's request and it was their choice, not Damaza's.

MR. BELL: When was this letter typed and signed by you, sir?

MR. CAPLAN: I would believe it would be on April the 14th, 1986. It was typed by the secretary to Mr. Dobzinski.

MR. BELL: All right. Is there any reason why you don't set forth the term that you have described that it would be reviewed on a monthly basis?

MR. CAPLAN: Just oversight.

MR. BELL: Is there any reason why it doesn't indicate that the term of the retainer would be short in duration, and no more than three months?

MR. CAPLAN: There is no particular reason, no.

MR. BELL: Did you discuss this letter at any time prior to June 10th with Mr. Dobzinski?

MR. CAPLAN: It was addressed to Mr. Dobzinski.

MR. BELL: I am sorry. Yes, did you discuss it with him at any time after?

MR. GANS: After what?

MR. BELL: April the 14th.

MR. CAPLAN: Not -- well, we discussed at the beginning of each month that we ---

MR. BELL: No, this letter.

MR. CAPLAN: No, I don't recall discussing this

particular letter with him.

MR. BELL: Do you know when he first received or was aware that this letter existed?

MR. CAPLAN: I would assume it would be on April the 14th, but I am making assumptions.

MR. BELL: I take it for the record you were -- you did bill and were paid \$8,000 for the April to May period and the May to June period?

MR. CAPLAN: Yes, I was.

MR. BELL: Did you bill and were you paid for the June to July period?

MR. CAPLAN: No. At the beginning of the May/June period Mr. Dobzinski stated that the May/June month would be the last month that he would require my services under the retainer basis of \$8,000 a month, and subsequent to that we would be on a \$150.00 an hour basis if he required by services.

MR. BELL: When did that occur?

MR. CAPLAN: May 16th, May 17th. Somewhere at the beginning of the second month of the new engagement.

MR. BELL: Did he give you reasons for that?

MR. CAPLAN: He felt that that would be appropriate; that he knew my desire to go into my own business on a full-time basis, and he felt comfortable at that point in switching the arrangements after that particular month of May 17th to June 16th to a straight hourly basis.

MR. BELL: Was that arrangement confirmed in writing?

MR. CAPLAN: No, it was not.

MR. BELL: Why?

MR. CAPLAN: Most of the arrangements were not. There didn't seem to be any necessity. There was a clear understanding between the two of us.

MR. BELL: What was the duration of that new arrangement?

MR. CAPLAN: The duration of the new arrangement was until June the 16th, 1986, at which point I withdrew entirely from any consulting arrangement with IDEA -- with Wyda.

MR. BELL: I don't believe there has been produced either through your files or through Wyda's files any invoice from Damaza or you for the period -- wait a minute -- when did this \$150.00 per hour retainer commence?

MR. CAPLAN: It was supposed to commence on June 17th.

MR. BELL: All right, supposed to commence.

MR. CAPLAN: Yes.

MR. BELL: I am sorry. Did you ever bill Mr. -- bill Wyda for any services on this new basis?

MR. CAPLAN: No, I severed the relationship on June 16th, 1986.

MR. BELL: I want to review with you, sir, as best we can, the nature and extent of Mrs. Caplan's knowledge of everything that we have talked about today, if that is possible.

When was she first aware that you accepted the retainer from Wyda?

MR. CAPLAN: She was aware of the negotiations in the middle of May, '85.



MR. BELL: When was she first aware that you had changed the basis of the retainer to reflect the advice that you understood from Wright and Eberts?

MR. CAPLAN: I don't think she was ever aware of what the key arrangements were, or any changes in them.

MR. BELL: Prior to June 10th.

MR. CAPLAN: Prior to June 10th.

MR. BELL: Of this year.

MR. CAPLAN: Right.

MR. BELL: When was she aware that you had made a decision to have direct contact with IDEA people?

MR. CAPLAN: I don't think she was ever aware of that decision.

MR. BELL: Again, prior to June 10th.

MR. CAPLAN: Prior to June 10th.

MR. BELL: When was she aware that your retainer -- when was she aware of the change in the basis of your arrangement from the January 31st, 1986 letter to the April 14th, 1986?

MR. CAPLAN: I believe on June the 10th, 1986.

MR. BELL: When was she aware of the nature and extent of your direct dealings with the IDEA people -- again, in the context of June the 10th, 1986.

MR. CAPLAN: It would be subsequent to June the 10th, 1986.

MR. BELL: When was she aware of your involvement with the Intercorp Company and Mr. Fleischmann as and for Wyda?

MR. CAPLAN: Probably in the last day or two.

MR. BELL: Mr. Chairman, I've got some more, but I'm going to relinquish right now before I fall into the seat. I'll leave it to you, Mr. Chairman, whether you want to start some questioning now before the 12:30 break, or ---

THE CHAIRMAN: Well, we've got 20 minutes, so we could finish one question before the break.

Mr. Philip?

MR. PHILIP: Thank you, Mr. Chairman. I'm going to require more than 20 minutes, but I'll take my first round anyway now.

By the end of June, Mr. Caplan, when you concluded your arrangements -- this would be the same time at which Elinor Caplan had become Minister. June 20th is the date at which she became a Minister.

And before that, you testified that she had met with Eberts and had been informed -- or counselled, if you want -- in potential conflict of interest.

If you look at Tab Q-3, basically you said about that that the first draft of your consultancy agreement had been prepared, but that it was sent to Dobzinski and never formalized. But in fact there was an agreement around roughly in that 15-day period between June the 15th and June the 30th; is that correct?

MR. CAPLAN: That is correct.

MR. PHILIP: Okay. Did it not occur to you at that time that two things were happening at the same time? One: you were signing an agreement, or making at least an informal agreement, but at least there had been something in writing. And two: that your wife was being counselled in conflict of interest, and that that agreement, which was at least drafted on the 13th, was in fact a potential violation of the conflict of interest counsel that was given to your wife.

MR. CAPLAN: The agreement was drafted long before there was any considerations of conflict of interest or my wife's involvement in the subsequent new government. When the discussions took place between myself, Blenus Wright and Mary Eberts, they informed me of exactly the point that you're making, based on my advice to them that this was the structure in which I had been negotiating with Mr. Dobzinski and Wyda, and I took fairly immediate steps to change that to comply with their advice. So there was nothing in my mind about conflict of interest when I received this first draft of the agreement from my solicitor.

MR. PHILIP: Did it not occur to you, or was it not possible, then, at your meeting with Ms Eberts to at least have provided her with a copy of that same agreement, which admittedly was never signed, but which you said was agreed to informally, that one of June the 13th, in the letter from Green and Segal?

MR. CAPLAN: I believe I outlined the terms of that draft to them at that meeting, which was the basis for their advice. As to the actual agreement itself, I had turned it over to Wyda so they could have their solicitors look at it, and have never kept a copy.

MR. PHILIP: You never kept a copy of the agreement that you sent to them?

MR. CAPLAN: I never kept a copy of th draft agreement.

MR. PHILIP: And it never occurred to you to at least get a copy and -- you were entering into an agreement, you had a meeting with Eberts. It didn't occur to you that prior to that meeting it would make some sense to bring a copy of the agreement you were entering into with Wyda, even a potential agreement, so that this solicitor, whose responsibility was counselling in possible conflict of interest, could at least have a look at that?

MR. CAPLAN: It seems to me if I relayed the terms of it to them verbally, and they advised me on that basis, it was as good as showing them a draft agreement. And the terms that I did relay to them were substantially the same as the terms of th draft.

MR. PHILIP: Well, my experience with lawyers is that they usually like to see things in writing before they pass a judgement on it, and this informality, certainly on something this serious, strikes me as unusual.

I'd like to refer you to tab N-10-A, which I'm sure you're probably tired of looking at, but, nonetheless -- that's the letter ---

MR. GANS: I'm sorry, excuse me. I didn't hear the reference.

MR. PHILIP: N-10-A. That's the famous letter from Mary Eberts to Elinor Caplan.

Is it fair to say that the letter of Mary Eberts of



(Mr. Philip)

July the 8th was a good reflection of her advice to you? Is that your testimony?

MR. CAPLAN: I believe I testified that the wording was, in some instances, imprecise, but the general tenor is correct.

MR. PHILIP: Okay. And if we look simply to the Eberts notes in 10, page 2 -- if I can find that; yes, just back a page -- you stated that you were prepared whatever was necessary down there. And in your testimony, you stated that she gave you what you called "political advice".

Do you consider the statement on N-10-A, if I may refer you back to it, that: "As you are aware, Blenus Wright and I have advised you that the contact with Damaza with agencies of the Ontario Government looking for investment would present difficulties, even if you were not to take an equity to the clients benefited or sought to be benefited."

Now, I take it that your testimony is that that was political advice.

MR. CAPLAN: My testimony is that Blenus Wright was never associated with that advice; that was advice that Mary Eberts had given; and, yes, that that was political advice.

MR. PHILIP: All right. When that letter was read to you by the telephone -- the letter was read to you sometime in late July of 1985 -- you said that it covered the discussion, but as you're now testifying again, that the political advice in the letter was only Eberts' advice and not Blenus Wright's advice.

Can you tell me: If there was an apparent conflict between Eberts and Wright, why would you not have asked whoever read that letter to send you a copy of that letter? I mean, you had a built-in messenger service; you have the Minister coming home every night -- take that to you, and have a meeting with Blenus Wright, and say to him, "Look, there appears to be a conflict here between the views that I think you expressed to me, and those which are being expressed in this letter by Mary Eberts"? Why would you not have done that?

MR. CAPLAN: I didn't feel that there was a conflict. I didn't feel that Blenus had given me advice that was in conflict with what Mary had given me. I believe Blenus was silent on the subject, and Mary had given this -- what I term "political advice". So there was no conflict in my mind; the advice was very clear.

MR. PHILIP: But you said that Eberts was saying one thing and Wright was saying the other.

MR. CAPLAN: I don't want to argue, but I never said that. I said that Blenus Wright never said that -- not that he said something else, but that he never said anything about these contacts.

MR. PHILIP: Is the failure to, if you want, give an advice in a certain direction not another way of giving advice? I mean, Wright is saying, then, that it isn't a -- is not saying anything is a -- there's no political problem here. Or at least you're saying, "Well, I'm going to accept the fact that Wright didn't seem to say there's a political problem; therefore, there's no political problem." I mean, that's ---

MR. CAPLAN: Wright said there was no problem, did not comment on it, because it did not come in the purview of the conflict of interest guidelines.

MR. PHILIP: So you thought that, in the light of two sets of advice, one at least that was from a political point of view, and the other, which is Blenus Wright's, which was from a legal point of view, that you'd ignore at least part of that advice, namely, the political advice.

MR. CAPLAN: I'm not sure what period of time you're talking about.

MR. PHILIP: Right when the letter was read to you on the phone.

MR. CAPLAN: No, no. Quite the contrary. I attempted to abide by even the political advice, and right up to the middle of January of 1986, I have attempted to abide by the political advice. It was when that advice came in conflict with my professional responsibility to my client that I had to make a decision.

MR. PHILIP: I find it astonishing that here's an important letter that's being read to you on the telephone, it's dealing with a matter that deeply concerns your wife's political career, and you didn't see fit to at least have the letter sent to you and to get a second opinion on the letter, since part of the advice in here is, "Boy, you'd better watch out about this. There's a problem there; there's a potential problem. And it's a political problem."

MR. GANS: I'm sorry, Mr. Chairman. Was there a question posed in that ---

THE CHAIRMAN: I believe there was.

MR. GANS: I missed it then. I apologize, sir. Perhaps the ---

MR. PHILIP: Let me put this as a question, then. You stated that you never discussed the letter with your wife. If there was a political problem here, wouldn't the first person to discuss the problem with be your built-in consultant? You had a politician in the family. You could have talked about a political problem with somebody who was in the profession of being a politician. You didn't even get the letter, and you didn't even discuss it; is that your testimony?

MR. CAPLAN: That is my testimony.

MR. PHILIP: But it was her political problem. Didn't you feel that you had some responsibility to at least discuss it with her?

MR. CAPLAN: There was no political problem at the time that the letter was read to me. I was adhering to the advice, even though it was political advice.



MR. PHILIP: There may not have been for you, but there sure as hell was for her with that letter, and you didn't think enough to discuss it with her.

MR. CAPLAN: The letter is addressed to her.

MR. PHILIP: Well, you also testified, and we will have to check that out with her, that she -- we will see exactly how much knowledge she has of that letter.

The letter that -- of August the 6th, N15. Now, you testified that the letter was typed in your wife's office. Would it be fair to say there would be very few letters, if any, that -- for Damaza Consultants that would be typed in your wife's office; is that a fair statement?

MR. CAPLAN: That is a fair statement.

MR. PHILIP: Is it an even fairer statement to say that this is probably the only letter, or this is the only letter that would have been typed for our private, personal business or for Damaza Consultants by anyone in your wife's office?

MR. CAPLAN: To the best of my recollection this would be the only draft that was ever typed.

MR. PHILIP: So this is an exception. And you said that the reasonable way in which the information -- or I mean the letterhead got downtown was that would have brought it.

MR. CAPLAN: That is a reasonable expectation.

MR. PHILIP: Yes, okay. Now, I guess what I find hard to try and understand is, first of all your wife -- you don't discuss the letter that was read to you by -- over the telephone that deals with a potential political problem, and certainly deals with conflict of interest. Then, a few days later, stemming from this, you send down letterhead to deal with that problem, or to address the concern with your wife, and now -- and you telling us that even at that point in time that you didn't discuss either of these two letters, the one that was read to you and the one that in fact was being drafted for your signature in your wife's office, with your wife?

MR. CAPLAN: Yes.

MR. PHILIP: You did?

MR. CAPLAN: I did not discuss either letter, or the draft letter with my wife.

MR. PHILIP: Well, did she not ask you why she was taking your stationery to her office? I mean she must have asked something about what was going on in her office, if somebody is typing a letter in another office for your signature with your business letterhead, I mean there must have been some communication.

MR. CAPLAN: I don't recall if there was any communication. I put it in -- or she would take the stationery or I would be it in the material that she was taking back down. I wasn't familiar with how the transportation occurred, but there was no discussion.

MR. PHILIP: She is not acting as a minister; she is not asking as your wife and a potentially political difficult service, she is acting as United Parcel Service for you; and I find it very hard to under -- to believe this kind of relationship.

MR. GANS: Sorry, Mr. Chairman. Again I apologize to the committee, but I missed the question again, and I apologize.

THE CHAIRMAN: It is not unusual for members to make comments, counsel.

MR. PHILIP: I am sorry if we are talking about something politically and we made a political statement occasionally; it is a lapse of politicians to do that. Perhaps if Mr. Caplan had been more politically inclined, then he would be having to answer any of the questions.

When you were contemplating your meeting of January the 16th with IDEA Corporation you stated that you didn't consider it necessary to discuss that, the meeting with your wife; is that what you have just said not so many hours ago?

MR. CAPLAN: Yes, it is.

MR. PHILIP: All right. You also stated that you believe that such a meeting would not be in violation of the de facto conflict of interest guidelines, but that there would possibly -- but it was possibly -- that our action was

possibly contrary to the political advice of Eberts; is that what you said?

MR. CAPLAN: Yes, I did.

MR. PHILIP: Okay. If this was a political problem, again why wouldn't you discuss it with the politician mostly directly concerned, namely, Elinor Caplan?

MR. CAPLAN: This question really cuts to the heart of what a spouse of a cabinet minister has to go through in looking at matters such as this. It was not simply a political question; it was a political question and it was a professional question as well.

I had assured myself in conversations, and I had a number of telephone conversations with Blenus Wright subsequent to the June 24th meeting and the middle of January, that there was no contravention of the guidelines; my review of the guidelines was exactly -- gave me the same reading, and therefore I was in a position, as I have explained, of having to choose between a possible political situation and my professional responsibility to my client. That is a difficult choice.

MR. PHILIP: Would it not seem reasonable that if there were two conflicting choices, one was the responsibility to your client, you talk to your client about it, and the other was the conflicting potential political problem with your wife, why would you have consulted only with one and not with the other? Surely it makes some sense then to talk to both if you are going to sort out the two conflicts. Why only one side?

MR. CAPLAN: Because there was no conflict with the guidelines.

I had assured my wife at a very early stage, as I testified, that I would do whatever was necessary to comply with those guidelines; I sought advice, followed that advice; I complied with the guidelines; and in this situation it had nothing to do with the guidelines; it was not a situation that I would want to discuss with her; it was my own situation that I had to resolve for myself. It was not fair to discuss it with her. This was my professional responsibility.

MR. PHILIP: If my wife were going to take on some action that were going to hurt or that were going to



have an effect on my political career, I would certainly hope that she would discuss it with me.

THE CHAIRMAN: Mr. Caplan, if you care to respond to that I will allow you to; otherwise we are going to adjourn.

We will adjourn until approximately 3:30-4:00 o'clock.

The committee adjourned at 12:30 p.m.



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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

Wednesday, July 9, 1986

Afternoon Sitting

Draft Transcript





STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Runciman, R.W. (Leeds PC)

VICE-CHAIRMAN: Gillies, P.A. (Brantford PC)

Epp, H.A. (Waterloo North L)

Gregory, Bud (Mississauga East PC)

Philip, E.T. (Etobicoke NDP)

Polsinelli, C. (Yorkview L)

Pope, R.W. (Cochrane South PC)

Wildman, B. (Algoma NDP)

Substitutions:

McGuigan J.F. (Kent-Elgin L) for Mr. D.W. Smith

Ward, C.C. (Wentworth North L) for Mr. Rick Ferraro

Fish, Susan (St. George PC) for Mike Harris (Nipissing PC)

Clerk: Arnott, D.

Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Shibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

Witness:

M. Wilfred Caplan, Director and Secretary-Treasurer, Taurus Metal  
Trading Corporation

Gans, R.N., Legal Counsel

LEGISLATIVE ASSEMBLY OF ONTARIO  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, July 9, 1986

The committee met at 3:58 p.m. in committee room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

THE CHAIRMAN: I wonder if we could come to order, please?

Is Mr. Gans in the vicinity? Someone has gone out to get him? Well, Mr. Bell has some comments he'd like to make before we get into questioning.

MR. BELL: Mr. Chairman, I just want to clear something up, lest there be any misunderstanding. I can't even remember what the context and what the document was, but this morning Mr. Caplan gave me an answer, and I said, "I'm going to bite my tongue."

Lest anybody in this room, or who was in this room, take that comment as my reaction to an action that Mr. Caplan gave as to whether it be forthright or credible, that's not the case. The comment was in the context, generally, of, "I think I don't understand what the document says," and my reaction was one of a general sense, that one might be able to say that about a lot of documents that we've seen in this room, not the least of which are the guidelines. And if that's an indication of my personal opinion, so be it.

That's also probably a product of my fatigue. You guys have successfully brought me to my knees after three weeks at this pace, so, Mr. Caplan, if it was taken that way by you or by anyone else, please accept my assurance it was not intended.

MR. CAPLAN: Thank you for your comments, Mr. Bell.

MR. WILDMAN: Mr. Chairman, I think all the members of the committee certainly understood the context in which it was given. If it had been a member of the committee who might have said that, it might have

(Mr. Wildman)

been taken another way, but not from counsel.

MR. BELL: I think I take that as a compliment. Thank you.

MR. WILDMAN: I'm not sure you should.

THE CHAIRMAN: Okay. We'll resume the questioning with Mr. Pope.

MR. POPE: Mr. Caplan, have you read the transcripts of this committee hearing so far?

MR. CAPLAN: I've read the transcript up to Monday afternoon's sitting, I think it was.

MR. POPE: Okay. Have you reviewed all the documents in the documents file, IDEA Corporation as well as the committee's documents?

MR. CAPLAN: I'm not sure I reviewed all the documents, but I reviewed an awful lot of documents.

MR. POPE: Okay. Have you had any meetings with anyone other than your lawyer concerning the information you're going to provide to this committee?

MR. CAPLAN: I've had meetings with the counsel for this committee.

MR. POPE: Yes.

MR. CAPLAN: And I've had meetings with the counsel for the Liberal Caucus, and I've had meetings with my counsel on the evidence that I'm going to present.

MR. POPE: Anybody else?

MR. CAPLAN: Not to the best of my knowledge. I've discussed it ad nauseum with friends, family and acquaintances, but no discussions, no review of the ---

MR. POPE: Have there been any discussions directly with any member of this committee?

MR. CAPLAN: No, there have not.



MR. POPE: Have there been any discussions with any other member of the Legislative Assembly other than your wife?

MR. CAPLAN: With the Premier.

MR. POPE: The Premier?

MR. CAPLAN: The Premier.

MR. POPE: Yes. And when was that meeting - meetings, I should say?

MR. CAPLAN: I believe the date was Friday, June the 13th, and there was only one meeting.

MR. POPE: Have you met with the Premier's staff subsequent to that?

MR. CAPLAN: No, I have not.

MR. POPE: When was your meeting with the Liberal Caucus solicitor?

MR. CAPLAN: It was in the period from June 16th or 17th onwards.

MR. POPE: How often?

MR. CAPLAN: I would think there would have been five or six meetings. I don't remember the exact dates.

MR. POPE: We've heard previous testimony -- and from your review of the transcripts you'd be aware of this. Were you present at the meeting in which the Attorney-General was present?

MR. CAPLAN: Yes, I was.

MR. POPE: How long was he there for?

MR. CAPLAN: Approximately two minutes.

MR. POPE: Has your solicitor had meetings with anyone other than yourself and the counsel to the committee with respect to your appearance and the information you'll be giving?

MR. CAPLAN: I don't know. Perhaps he could answer that question.

MR. GANS: Is that question posed of me, Mr. Chairman?

MR. POPE: No, I ---

MR. GANS: I've talked to several people in respect to this matter.

MR. POPE: Did you talk to anyone else who's appeared before this committee: Mary Eberts, Blenus Wright?

MR. GANS: My only involvement with Mary Eberts was the morning that I was called in to render an opinion in respect to waiver of privilege, and that's the only issue that I recall with her.

MR. POPE: Any other meetings?

MR. GANS: No other meetings, other than to

July 9, 1986

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(Mr. Gans)

introduce myself to Dobzinski.

MR. POPE: Yes, I understood that.

Have you had any telephone conversations, Mr. Caplan, with respect to -- or any other form of communication with respect to your appearance before this committee and the information you would give?

MR. CAPLAN: Not that comes to mind at this point in time.

MR. POPE: Okay. If you have any that you recall, will you notify us?

MR. CAPLAN: The only one that I recall that wasn't a discussion was that I asked Mr. Dobzinski on the Sunday evening prior to my wife's statement in the House on Monday, the 16th, to check a draft of her statement for factual accuracy.

MR. POPE: Yes. In the meeting at which the Attorney General was briefly present, did you review with other counsel, your wife and others, the documents that the committee then had in their presence?

MR. CAPLAN: The only documents that I recall reviewing were the letter from Mary Eberts to my wife, the draft letter from myself to my wife, and the opinions ---

MR. GANS: Might I assist my client on that? The meeting with the Attorney General was but very brief; it only dealt with the privilege issue. The Attorney General rendered his instant opinion on the doctrine of privilege with which I took issue -- this is no exception to what I've done before with the Attorney-General on issues of that nature. There was no document reviewed at that meeting. It was a brief discussion on the doctrine of solicitor/client privilege, and it ended.

MR. POPE: And the impact of a decision on solicitor/client privilege would be whether or not certain would be made available to this committee.

MR. GANS: And whether or not the witnesses were given the authority to come before this committee, such as Mr. Wright and Ms Eberts, to testify. And the Caplans, after receiving my opinion on the issue, determined to waive the



(Mr. Gans)

privilege.

MR. POPE: Yes. In that context, can you produce the documents that were given to Mary Eberts in June of 1985?

MR. GANS: What documents?

MR. POPE: The lists that are now in sealed envelopes, but the originals were returned to Mr. and Mrs. Caplan.

MR. GANS: We have no documents that have not already been produced to Mr. Bell, and if they're in that package, I'm not aware of them.

MR. BELL: I think to assist, for precision, if you look at the July 8th letter of Mary Eberts, it refers to, in the first paragraph, a copy of the conflict of interest form. Now, I believe Mr. Pope's question is directed to that document which we heard from Mary Eberts was sent back to Mrs. Caplan by cover of this letter.

MR. GANS: I don't have the documents, I've never seen the documents, unless it's in this mass of material which I haven't reviewed.

MR. CAPLAN: I don't have copies of it either.

MR. POPE: Perhaps we could short-circuit this long, involved process. Can you communicate, or could the committee counsel communicate to Mrs. Caplan and see if we can have that document when she appears before the committee?

MR. BELL: I believe that request has already been communicated, and my information is thus far that it can't be located.

MR. POPE: Well, then, can the Premier's office produce the sealed envelope?

MR. BELL: Well, I haven't conveyed that request, but if that's the committee's wish -- you're speaking of the copy of the document that's referred to in the first paragraph?

MR. POPE: Yes.

MR. BELL: I'll communicate that.

MR. GANS: Pardon my ignorance, Mr. Chairman, but isn't that form somewhere in this mass of material?

MR. POPE: The form that's in the material is the filing through the Attorney-General's department. Mary Eberts testified that this was a different form, a different layout, and perhaps different information.

MR. GANS: I can't assist ---

THE CHAIRMAN: Mr. Ward, do you have a point to make here.

MR. WARD: I could be wrong, but my understanding when Mary was here and we asked those questions -- and I think you raised them, and I think I came back to them -- that some of the handwritten material that's here was the material that was in those sealed envelopes, and that the form that's in the Mary Eberts section -- because she indicated that Blenus Wright's were horizontal and hers were vertical -- were the ones that were returned.

So, frankly, I do believe that we have those documents.

MR. POPE: No, we don't, as a matter of fact. But Mary Eberts testified that she had returned the originals to the various people who had filed them, and that all her copies had been put in individual sealed envelopes, and the whole box was delivered to the Premier's office for safekeeping and not in her office for safekeeping.

THE CHAIRMAN: Mr. Wildman, do you have a ---

MR. WILDMAN: On that point, my understanding is the same as Mr. Pope's, and Ms Eberts has indicated that those documents that were in the sealed envelopes were under the care and keeping of Mr. Ezran in the Premier's office ---

MR. POPE: Yes.

MR. WILDMAN: --- and as she understood it, he was the only one who had access to them.

MR. POPE: So if counsel could convey that request, perhaps the Premier can clear it up tonight for us.

MR. BELL: I'll convey that request, then.



MR. POPE: Thank you. Sir, is it fair to say -- and I have a different timeframe from my own perspective on things -- was Damaza Consultants reactivated after the election?

MR. CAPLAN: Damaza Consultants was reactivated the day before the election.

MR. POPE: The day before? Damaza Consultants. Okay. Where is its office?

MR. CAPLAN: Its office is at 46 Knollview Crescent, North York, Ontario.

MR. POPE: Isn't that your home?

MR. CAPLAN: Yes, it is.

MR. POPE: How many staff are located there?

MR. CAPLAN: There are myself as the main staff of the company.

MR. POPE: From time to time members of your familiar are in the employ of the consulting company?

MR. CAPLAN: From time to time I use my two oldest sons, who are at university, for opinions and so on various matters.

MR. POPE: Do you have a business phone in the house listed under Damaza Consultants?

MR. CAPLAN: No we do not.

MR. POPE: Could you tell me who is -- I think you testified that you met -- you were introduced to Wyda or Mr. Dobzinski by Mr. Segal?

MR. CAPLAN: I don't recall if I actually gave the name of who I was introduced by, but it was Mr. Segal of the firm of Stitt, Baker and McKenzie.

MR. POPE: Right. I am sorry. Introduction to Wyda by corporate counsel?

MR. CAPLAN: Yes.

MR. POPE: Did Mr. Segal indicate how he knew of Mr. Dobzinski and Wyda?

MR. CAPLAN: He was counsel to the company.

MR. POPE: He was counsel to them?

MR. CAPLAN: Yes.

MR. POPE: How did you know Mr. Segal?

MR. CAPLAN: I have known Mr. Segal for many years.

MR. POPE: In what context?

MR. CAPLAN: As acquaintances and with mutual friends.

MR. POPE: Is Mr. Segal involved political; is that a political acquaintance?

MR. CAPLAN: Not to my knowledge. It is not a political acquaintance, and I don't know if he is involved

politically or not.

MR. GANS: I know he is a big supporter of Mr. Grossman, if that is of any assistance to the ---

MR. POPE: Could be.

(Mr. Pope)

Can you explain to me why Wyda could not simply make an application to the IDEA Corporation for funding directly, why they had to go through a consultant?

MR. CAPLAN: Preparation?

MR. POPE: Preparation of what?

MR. CAPLAN: Preparation of the plans and the projections. The proper framing is vital to the successful financing of any organization.

In this particular -- financing is the most difficult kind, being pre-venture capital financing, and he would have almost assured himself of failure had he gone and made a direct approach similar to someone defending themselves in court.

MR. POPE: What is the basis of your knowledge of that fact, that he was doomed to failure if he approached directly IDEA Corporation?

MR. CAPLAN: I don't say it as a fact; it is an opinion.

MR. POPE: An opinion based on what information?

MR. CAPLAN: Many years of experience.

MR. POPE: With IDEA Corporation?

MR. CAPLAN: No, with financial proposals.

MR. POPE: Well, how many financial proposals to IDEA Corporation have you been involved in in your years?

MR. CAPLAN: Just the Wyda.

MR. POPE: It was your opinion that a consultant was needed. Why couldn't a member of the Wyda company,



a direct employee, prepare an application to IDEA Corporation, why couldn't he phone the IDEA Corporation offices if he had a problem and seek some information, about what information was required?

MR. CAPLAN: There is no physical reason why they couldn't do it. It was just the question of having expert guidance and counsel and help in framing any financial proposal to any financial institution or lender. It makes a big difference, an enormous difference.

MR. POPE: Well, you are not saying you are an expert on IDEA Corporation applications, are you?

MR. CAPLAN: No, I am not.

MR. POPE: Well then, why were you required as a consultant to make an application to IDEA Corporation?

MR. CAPLAN: Because I am an expert on financial proposals.

MR. POPE: Okay. And you prepared item number 2 in the IDEA Corporation book, did you not, business plan?

MR. CAPLAN: I assisted in that outline, yes.

MR. POPE: And you delivered this plan to the IDEA Corporation, did you not?

MR. CAPLAN: Well, who did?

MR. POPE: I don't know. It wasn't me.

MR. POPE: No one seems to know.

You don't disagree with the fact that the stamp August the 12th, 1985 indicates a receipt date. You have read the testimony of IDEA Corporation.

MR. CAPLAN: All I can tell you is I am looking at a stamp date August 12th, 1985. He doesn't say whose stamp date.

MR. POPE: Do you remember when you prepared this business plan?

Would July the 4th, 1985 be appropriate?

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MR. GANS: I only have an extract of the plan.

MR. CAPLAN: That's right. It is only the ---

MR. POPE: Well, for a variety of reasons, including Wyda's request.

MR. GANS: I understand.

MR. POPE: And maybe counsel can show the complete document.

MR. GANS: I have not seen the complete document.

MR. BELL: I don't have the complete document.

MR. GANS: Okay.

MR. BELL: At Wyda's and IDEA's request.

MR. GANS: Okay.

MR. CAPLAN: It would be very likely that it would be produced in July of 1985.

MR. POPE: And in that plan that you had a hand in producing in July of 1985, you are already describing yourself as of July the 4th as vice-president, finance and administration.

The second page, the list under management.

MR. CAPLAN: Yes, part of the management team, as it says here.

MR. POPE: Now, what particular expertise did Mr. Fleischmann have that led you to consult with Mr. Dobzinski about his retainer as a consultant?

MR. CAPLAN: Mr. Fleischmann and his company have many years of experience in approaching government agencies, both federal and provincial, on financial matters and for financial purposes on behalf of clients.

MR. POPE: Let's not get too antiseptic. We have heard from Mr. Barnes that he had one lunch on August the 14th with Mr. Fleischmann in which Mr. Fleischmann described himself as a Liberal hack who was coming from Ottawa and he was going to set up business in Toronto.

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(Mr. Pope)

Wasn't that the reason?

MR. CAPLAN: No, I believe Mr. Fleischmann had already set up his business and was in business for quite a long period of time.

We at Wyda used Mr. Fleischmann both in the federal field and in the provincial, the federal having a Conservative Government, and his party credentials were of not interest. His efficiency and effectiveness as a consultant were all that I was concerned with.

MR. POPE: You have read Mr. Barnes' testimony?

MR. CAPLAN: I am sorry, I have not.

MR. POPE: You have not?

MR. CAPLAN: I believe he was the evening of -- Monday evening.

MR. POPE: Yes. Mr. Barnes testified that his contact with Mr. Fleischmann was a luncheon August the 14th, testified as I stated to you, who he was. Was that the message that you instructed Mr. Fleischmann to convey to Mr. Barnes?

MR. CAPLAN: No, it was not. I never instructed Mr. Fleischmann to convey any message to Mr. Barnes.

MR. POPE: Did you know that they were meeting for lunch?

MR. CAPLAN: No, I did not.

MR. POPE: You had a responsibility to approve an account of \$30,000 that related to the approval of IDEA Corporation financing, Mr. Dobinski's and Wyda Corporation Monday paid to Mr. Fleischmann, a man who was hired on your recommendation as a consultant, and Mr. Dobzinski has testified that the only activities, vis-a-vis idea, that he is aware of that Mr. Fleischmann undertook was a luncheon meeting on August the 14th, two days after the application was in.

Can you explain to me, in the light of those facts that are already before the committee, what Mr.



(Mr. Caplan)

Fleischmann got paid for?

MR. CAPLAN: Mr. Fleischmann was retained through his company, Canadian Unicorp, to do a number of different approaches. The main one initially was to the federal government, to the Department of Regional Industrial Expansion. He was subsequently retained for any initial contacts with Ontario Government ministries or agencies that Wyda might approach for financing purposes.

MR. POPE: Mr. Fleischmann reported to you, did he not?

MR. CAPLAN: No, he did not. He reported to Mr. Dobzinski.

MR. POPE: Okay. Can you tell me why, then, Mr. Dobzinski is not aware of any approach to the Department of Regional Economic Expansion?

MR. CAPLAN: I am not -- I can't imagine that, because Mr. Dobzinski was present at a meeting with Mr. Ron Braithwaite of that department, myself, Mr. Fleischmann, in the offices of Wyda. So why he is not aware of it now is beyond me.

MR. GANS: Excuse me, Mr. Chairman. My recollection of the evidence was that Mr. Dobzinski did indicate that he had this meeting with a Mr. Braithwaite, if I am not mistaken. Excuse me.

MR. POPE: I beg your pardon. Don't be so smug. His evidence was the Federal Business Development Bank

MR. GANS: I do recall in the evidence yesterday Mr. Braithwaite being mentioned, sir.

MR. POPE: And you say Mr. Braithwaite is an employee of DREE?

MR. CAPLAN: Yes, I am.

MR. POPE: Okay. And you don't recall any meeting with respect to the Federal Business Development Bank?

MR. CAPLAN: I do recall.

MR. POPE: You do? So you were at that meeting as well?

MR. CAPLAN: I initiated that meeting. Mr. Fleischmann had nothing to do with the meeting for the Federal Business Development Bank. It was a meeting where I contacted the Federal Business Development Bank, and there were two gentlemen from the bank came to Wyda's offices and we met. And I introduced the Wyda company to them.

MR. POPE: And when were those meetings?

MR. CAPLAN: I believe September/October, or possibly early November, of 1985.

MR. POPE: Other than the one meeting -- how many meetings did you have with DREE?

MR. CAPLAN: I believe we had three meetings.

MR. POPE: And what were the dates of those meetings?

MR. CAPLAN: I am sorry, I can't remember. And they were in the fall of 1985.

MR. POPE: Mr. Braithwaite was present at all of them?

MR. CAPLAN: No. He was, I believe, only present at two of them.

MR. POPE: And who was present at the other one?

MR. CAPLAN: I believe there was a financial planner from DREE present at the other one.

MR. POPE: And who -- how many meetings did ---

THE CHAIRMAN: Thank you, Mr. Pope.

Mr. Epp.

MR. EPP: Mr. Chairman, I think I will pass for now and take my turn a little later.

THE CHAIRMAN: Mr. Wildman.

MR. WILDMAN: Thank you, Mr. Chairman.

MR. CAPLAN: I won't go over a lot of the material that we have discussed with you this morning and early this afternoon, but I will -- there are a couple of things I do want to refer to, to get a clear understanding of your testimony.

First, I would ask you if you would refer to 10-A, tab N-10-A, again. You indicated that -- sorry -- you indicated in your testimony earlier that hadn't seen the letter until about a week ago, but that it had been read to you over the phone not long after it had been received in your wife's office, I believe somewhere at the end of July ---

MR. CAPLAN: Right, about the end of July.

MR. WILDMAN: Now, I want to try and understand your reactions at the time and I hope not to belabour this, but you indicated earlier that you believed that the letter was generally an accurate description of what took place in your meeting with Ms Eberts and Mr. Wright ---

MR. CAPLAN: In general that's true ---

MR. WILDMAN: --- yes, but that you had some differences with a couple of matters, particularly the two sentences referred to in the middle of the second paragraph, the first one beginning: "As you are also aware..."

Am I right in understanding that, from your point of view, at that meeting Mr. Blenus Wright was giving you his legal advice, legal interpretations of your obligations and your wife's obligations, under the guidelines?

MR. CAPLAN: Yes, he's designated at the authority in the government and he was advising me accordingly.

MR. WILDMAN: Whereas -- Ms Eberts was also giving you her -- the benefit of her legal knowledge of the guidelines, but also was giving political advice?

MR. CAPLAN: That is correct.



MR. WILDMAN: All right. Now, if you look at that sentence, Eberts, in writing to Mrs. Caplan, is saying, "Blenus Wright and I have advised Wilf that contact by Damaza with agencies of the Ontario Government looking for investment capital would present difficulties." And then it goes on.

Did you understand that, when it was read to you, to mean political difficulties?

MR. CAPLAN: Yes, I did.

MR. WILDMAN: All right. And your difference with that statement is that you don't believe Blenus Wright commented one way or the other on that matter.

MR. CAPLAN: That's correct.

MR. WILDMAN: All right. Now, my question is this: If you did interpret it to mean that Ms Eberts believed that the contact between your company and agencies of the Ontario Government might present political difficulties, I'm trying to understand -- and I'd like you to try to explain -- why you did not choose to discuss that with the person who might experience political difficulties?

MR. CAPLAN: I was, at this time that I heard this letter, following that advice. There was no need to discuss that with my wife, because I was following the political advice.

MR. WILDMAN: That is, Damaza was not having any contact with ---

MR. CAPLAN: Exactly.

MR. WILDMAN: All right. I'll leave that for a moment. I'd like to go, then, to your other difference with this letter, in that in the next sentence, Ms Eberts is describing her understanding of what you had indicated at the meeting when she says: "He has advised that he will sever the relationship between Damaza and his present client, Wyda, for whom he had planned to seek Ontario Government funding."

You said earlier that you disputed the use of the verb "severed".

MR. CAPLAN: Yes.

MR. WILDMAN: Could you explain again for us what you indicated to Ms Eberts at the meeting that you attended with her and Mr. Wright?

MR. CAPLAN: I believe that the proper verb would have been "change" rather than "sever". In light of their advice, I would change the relationship to the format that they were advising.

MR. WILDMAN: Okay. All right. Now, if you believed that the word "sever" was incorrect ---

MR. CAPLAN: That isn't quite correct.

MR. WILDMAN: Okay.

MR. CAPLAN: What I said isn't quite correct. It wasn't changed to the format they were advising, because they weren't advising me of a format to change to. They were advising me of a format to change from, and I was going to change from that format.

MR. WILDMAN: Right. Okay. In other words, from having contact with government agencies.

MR. CAPLAN: No. From having an equity position and a contingency based on Ontario Government funding.

MR. WILDMAN: Oh. Yes, okay. I understand what you're saying. Now, my question is this: If you had a difference of that nature with the wording of Ms Eberts letter to Mrs. Caplan, could you explain why you didn't contact somebody about that wording and say, "Look, that's not the right interpretation of our discussion"?

I suppose the people that it might be logical that you might have contacted in that context would have been Mrs. Caplan or Ms Eberts.

MR. CAPLAN: By the time I heard the letter read to me, the arrangements had already been changed. It was, in fact, old hat; and although it wasn't excellent and precise wording in all its segments, the general tenor was correct, and I saw no need, since Ms Eberts was removed from the situation now for well over a month, to pursue it any further. As a matter of fact, I saw no need to even reply to it; however, I was advised by my wife's staff that a reply might be in order.

MR. WILDMAN: All right. I'll get to that in a moment. And you've said, then, that since Ms Eberts was no longer directly involved -- she had finished her assignment -- that you didn't see any reason to talk to her.

MR. CAPLAN: And since the advice had been instituted and implemented.

MR. WILDMAN: Yes. Right. Okay. Did you see any need to -- well, obviously you didn't, but I'd like to know why you didn't see any need to contact Mr. Wright with regard to the other "discrepancy" -- that's my quote, not yours -- that he in fact had given you political advice, as you characterized it? It's stated here ---

MR. CAPLAN: I saw no significance to it. This was a letter from Ms Eberts to my wife. If it contained a small factual error, it seemed rather small to pursue it at this point when the matter was well along. I had even subsequently contacted Mr. Wright at or about the same time I heard this letter on a matter of advice that I was given to contact him on, and there was no necessity to try to correct this. This was from Ms Eberts, not from Mr. Wright.

MR. WILDMAN: Okay. In your discussion with Mr. Wright, subsequent to having this letter read to you, why did you not raise with him the issue that Ms Eberts had interpreted your discussion with the both of them to mean that you had indicated you would, in fact, sever your relationship -- the relationship between Damaza and Wyda -- when in fact you understood it to mean change, and since he was now the only one responsible for dealing with conflict of interest, and straightened that out with him?

MR. CAPLAN: He had confirmed his advice in a previous phone call in the middle of July when I called him to ensure that I understood his advice correctly with regards to a possible application that Wyda -- that I was thinking of making or having made for Wyda to the Ontario Development Corporation. And at that point in time, I called Mr. Wright, and he again affirmed to me that it would be proper for me to act on behalf of Wyda in an application to the Ontario Development Corporation as long as I didn't benefit contingently from any subsequent financing. So he had confirmed what I had remembered from the June 24th meeting.



(Mr. Caplan)

I then had another conversation with him on August 22nd. There just didn't seem to be any point in trying to correct something that everybody seemed to understand was all right.

MR. WILDMAN: Did you indicated earlier which member of Mrs. Caplan's staff it was that called you with regard to this letter?

MR. CAPLAN: I believe it was Joyce Bryant. I was dealing with her with all the filings in the matters of anything to do with conflict of interest.

MR. WILDMAN: During that telephone call, or subsequently, did you indicate to Ms Bryant that you felt there were some minor -- at least minor -- factual errors in the letter?

MR. CAPLAN: I indicated to her sometime in September that I didn't want the draft letter that they had prepared in reply to this letter to be issued, but I don't recall if I discussed if there were changes. I may very well have, or I may -- I just don't recall.

MR. WILDMAN: All right. Let's, then, deal with that draft briefly. I don't want to go into detail with it. That's tab 15.

Now, I note that, while your name is typed at the bottom, there's no signature.

MR. CAPLAN: That's correct.

MR. WILDMAN: All right. And this is, in fact, the draft which was typed in your wife's office ---

MR. CAPLAN: I believe so.

MR. WILDMAN: --- on Damaza Consultants' letterhead.

MR. CAPLAN: Yes.

MR. WILDMAN: Could you explain again why you did not send this draft over your signature -- that is, send the latter -- why you decided not to have it sent or to change it and have another letter dealing with the same

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issue sent?

MR. CAPLAN: There was no other letter.

MR. WILDMAN: No, no. I just said that you might have said, "This draft isn't adequate. I want to change it and send a different letter."

MR. CAPLAN: I wasn't happy with the wording of this letter. As well, there were minor inaccuracies. But the major problem I had with it was the necessity of sending it. I had been advised by my wife's staff that it might be in order to send it.

As time went on, and as I waited for the guidelines to come out, to review the actual guidelines with this draft and my understand, it seemed to me less and less necessary, or even desirable, to send a letter in reply. And Ms Eberfs was further and further removed from this context, so, rather than redrafting and changing and making the necessary wording changes and so on, I was just unhappy with the whole process, and decided that I was not going to send it; I was not going to sign such a letter.

MR. WILDMAN: Could you point out for the committee what inaccuracies, as you describe them, are in the letter?

MR. CAPLAN: The very first sentence again includes Mr. Wright in the advice of contact, which was -- the fact that it's since mid-June is inaccurate. The last two words, or the last hyphenated word of the first paragraph, isn't quite accurate.

And I was very unhappy with the ---

MR. WILDMAN: Sorry. Could you explain that, please?

MR. CAPLAN: Well, the new basis was actually since the end of June/beginning of July.

MR. WILDMAN: The timeframe is wrong.

MR. CAPLAN: The timeframe there is wrong. It's not a major thing, but it is inaccurate.

Paragraphs two and three -- I saw no reason why those should be commented on and sent in. They were my major reasons, because they had no relevance to matters of conflict of interest guidelines, why I objected to this draft.



MR. WILDMAN: Okay. The one sentence that you did not refer to is the one that starts in the middle -- it's in the middle of the first paragraph: "When Damaza attempted to withdraw from its engagement with Wyda Systems Canada Inc. ... " Could you explain if in fact that is, in your view, an accurate description of what you attempted to do, and, if it is, why you attempted to withdraw?

MR. CAPLAN: As I testified this morning, I believe, that is an accurate reflection. The reason I attempted to withdraw was a business reason, a commercial reason. It was only peripherally to do with anything regarding the conflict of interest guidelines. And the reason was that I determined I did not want to undertake an engagement where there was a chance that I wouldn't earn my fees. Therefore, if by any chance Wyda was successful with Damaza's effort -- assistance -- in raising Ontario Government of agency financing, Damaza would not earn its legitimate fees in this matter, and it was a commercial decision. Did I want to take that risk, or didn't I want to take that risk? And initially, I didn't want to take that risk, and I approached my client, Wyda, on that basis to withdraw entirely from the engagement.

MR. WILDMAN: All right. Now, for the committee, I think you probably can understand -- and you don't need to comment on this comment; I'm going to ask you a question after -- you can probably understand how it appears to some members of the committee, if not all members of the committee.

This drafted letter starts off: "Re: Conflict of Interest Guidelines, Mary Eberts' letter of July 8th, 1985." And then it deals with an attempt to withdraw, which you've described just now as largely having to do with business reasons.

It appears -- to me, at least -- that this letter was written because of Mary Eberts' letter. And are you telling us now that your decision to attempt to withdraw your engagement with Wyda was not the result of Mary Eberts' letter, which is the subject of this draft?

MR. CAPLAN: Yes. I had attempted to withdraw before I ever heard Mary Eberts' letter. I had attempted to withdraw based on my decision and thinking subsequent to the June 24th meeting. So the discussions with Mr. Dobzinski about withdrawal and new terms had long taken place and been put into effect by the time I heard Mary

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Eberts' letter, which was the end of July. That's another reason why I didn't see any necessity to reply to it.

MR. WILDMAN: Okay. I'd like you to turn to another aspect. In your dealings with other private sector institutions -- that is, not dealings with public -- provincial government agencies -- in your dealings with private sector institutions as the U.P. finance with Wyda -- for instance, with the Toronto-Dominion Bank -- how did you describe your position with Wyda when you were dealing with those -- say, the Toronto-Dominion Bank?

MR. CAPLAN: The introduction was made as vice-president finance, but very early in the first or second meeting, I made it explicitly clear that my relationship was a consulting one rather than an employee one. It made the introduction easier, and it made the events, such as not being a signing officer and not signing cheques, which is a normal vice-president finance, and not even being on the payroll of the company, clearer to the officials at the bank.

MR. WILDMAN: Okay. During your discussions with the T.-D. Bank officials, did you ever mention that Wyda was applying, or could be applying, for financing with IDEA Corporation?

MR. CAPLAN: It's very likely that I would have, but I don't recall explicitly; but we tried to keep the bank well informed.

MR. WILDMAN: Okay. Did you at any time, in discussions with the T.-D. officials, mention or make known your relationship with a Provincial Cabinet Minister?

MR. CAPLAN: Again, it's quite likely that I did, but I don't recall specifics; but it's quite likely that I did. I was not ashamed of the relationship.

MR. WILDMAN: No, I wouldn't suggest that you would be. In your decision to -- when you decided to advise Mr. Dobzinski to contact Mr. Fleischmann and Intercorp, did you, at any time while you were discussing that with Mr. Dobzinski, discuss Mr. Fleischmann's political experience which led him himself to describe himself, according to Mr. Barnes, as a Liberal hack?

MR. CAPLAN: I don't recall. The initial contact was with regard to a federal government approach, and I may

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have, at that meeting, mentioned the fact that Mr. Fleischmann was a member of the Liberal Party, but would be very competent in making the approach to the Department of Regional and Industrial Expansion; but I don't recall specifically.



MR. WILDMAN: Just one question, Mr. Chairman, and then I have some other questions I'll go to later.

Is it your testimony, Mr. Caplan, that you didn't, yourself, or anyone else from Wyda, introduce that company to IDEA before Mr. Fleischmann's contact?

MR. CAPLAN: That is correct.

THE CHAIRMAN: Mr. Ward?

MR. WARD: Thank you, Mr. Chairman.

In tab H-1, if you refer to -- also at the same time, if possible -- N-10, which are the notes -- one's notes of Mary Eberts and the others are notes of Blenus Wright -- I take it that these are of the same meeting?

MR. GANS: That's our understanding from the evidence. I don't know how we can apply it to that.

MR. WARD: Just in terms of specifics, in Mary Eberts' notes there's a reference to \$4 million and no notations after it, and on Mr. Wright's it says \$4 million SRTC. Were you indicating potential sources for funding for Wyda?

MR. CAPLAN: Well, SRTC, I believe, was in reference to the first-round financing that the company had already received. It was, as a matter of fact, \$3.8 million, but ---

MR. WARD: Okay. Thank you. You mentioned that as part of your function -- or in performing your duties -- you approached other consultants as well?

MR. CAPLAN: That's correct.

MR. WARD: These are not people, then, that directly have funds to invest, but are in fact -- could they be characterized as finders?

MR. CAPLAN: I would characterize them as finders, plus they would also assist in tailoring the applications to the particular needs of their particular contacts and financial institutions or venture capital companies.

MR. WARD: In your experience, not only in terms of Damaza, but even with the C.G.A., is it a normal practice for consultants or finders to charge a commission that's based

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on the amount of funding that's raised?

MR. CAPLAN: It's very standard in finding financing. It really doesn't have much to do with C.G.A.'s, but in finding capital investment, financing for companies, especially young companies, it's almost exclusively done on a commission basis, on a contingency fee basis.

MR. WARD: Is one per cent good commission, standard, substandard?

MR. CAPLAN: One per cent is an extremely cheap commission, extremely cheap.

MR. WARD: What's the normal commission?

MR. CAPLAN: The normal commission would be in the 5-6 per cent range. That would be an average, and probably for this type of financing, the average would probably be slightly higher.

MR. WARD: Can you indicate, if not in specific terms because of confidentiality that Wyda requires -- are you aware of Mr. Fleischmann making approaches elsewhere, other than the IDEA approach?

MR. CAPLAN: I believe he did make approaches to other federal and provincial sources.

MR. WARD: Can you confirm that an ad was placed and the responses were directed to Mr. Fleischmann, or were those dealings directed between Mr. Fleischmann and Mr. Dobzinski?

MR. CAPLAN: No, those were not with regard to any provincial government financing. That was a convenience and a service that Mr. Fleischmann accorded to Wyda. Wyda did not want the telephone calls and the replies to come into its offices; they didn't want to be identified with the ad, in this particular case, for this particular kind of financing. And therefore, Mr. Fleischmann graciously allowed his offices to be used, since he was already a consultant to the company, and there were dozens and dozens of calls that his staff took on behalf of Wyda.

MR. WARD: Okay. You testified that tab 2 of the IDEA documents I think reflects a partial reproduction of

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the business plan that you characterized as an enormous undertaking. I take it that the pulling together of financial information and presentations was not a strength of Wyda Systems before you took on the role.

MR. CAPLAN: No, and neither was the organization of information. You must begin that process.

MR. WARD: Does this represent the business plan, or was this one that was tailored ---

MR. CAPLAN: No, no. What I'm looking at here only goes from paragraph 9.0. There was another ---

MR. WARD: I guess that's not what I'm getting at. Was this virtually the same plan that was submitted all over the place in your search for funds?

MR. CAPLAN: No, it's not.

MR. WARD: It isn't.

MR. CAPLAN: No.

MR. WARD: Does it differ significantly?

MR. CAPLAN: The plan was revised continually as new marketing and production information and personnel information was available. I might point out that, on this particular plan, it shows Allen Alley as the vice-president of marketing. Mr. Alley was slated to become the vice-president of marketing of the company, and then had a change of heart, and the company hired another vice-president of marketing. There was other significant information that did change as well.

MR. WARD: Okay. But you did submit a fairly comprehensive business plan to many other potential investors, I take it.

MR. CAPLAN: Yes, we did.

MR. WARD: Would all of those business plans indicate the management team of Wyda ---

MR. CAPLAN: Yes, they would.

MR. WARD: --- and its background? So there's



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nothing unusual about you being included as v.p. finance. I would assume that every vice-president was listed on every business plan that was ever sent out.

MR. CAPLAN: That is correct.

MR. WARD: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Pope?

MR. POPE: Mr. Caplan, Mr. Dobzinski testified that he was only aware of one contact between Mr. Fleischmann and the IDEA Corporation, and that was the lunch of August the 14th.

You testified that he didn't report to you with respect to his contacts with IDEA Corporation.

Mr. Barnes, on Monday evening, said the following:

"Mr. Pope: What was appropriate about Mr. Fleischmann's invitation to lunch?

"Mr. Barnes: Well, I think he phoned me up and said he was down here in Toronto, and he wanted to have some knowledge of the ministry, that he'd done a lot of work up in Ottawa, and that he was a lawyer who worked with organizations and so on and so forth, and would I like to meet with him? And I said sure.

"Mr. Pope: Did he also indicate to you on the phone his connections to the Liberal Party?

"Mr. Barnes: No, but when I had lunch with him, he described himself as a Party hack.

"Mr. Pope: Did he outline any other background?

"Mr. Barnes: No. He said he'd done a lot of work up in Ottawa, and that was the extent of it."

Now, where's this great experience here in Toronto with provincial government ministries that Mr. Fleischmann was representing to the representatives of the Ministry of Industry, Trade and Technology and a member of the board of directors of the IDEA Corporation?

MR. GANS: You mean on the basis of Mr. Barnes'

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evidence?

MR. POPE: Yes.

MR. GANS: That's Mr. Barnes' evidence.

MR. POPE: Yes.

MR. GANS: I'm sorry, Mr. Pope. I've missed the point, because Mr. Barnes is giving his recollection of a conversation that he had.

MR. POPE: Isn't it fact that Mr. Fleischmann was from Ottawa; his exclusive dealings had been with the federal government; he was a Liberal Party operative; and that you knew him in that context, and that's the context in which you hired him?

MR. CAPLAN: That is not true. I had only the concerns of my client in my mind in hiring a consultant to approach Ontario Government ministries and agencies.

MR. POPE: Do you think it's appropriate for you to authorize the payment of \$30,000 to a man who, to the best of your knowledge, with respect to IDEA Corporation -- and you testified this morning he was paid \$30,000 for the IDEA Corporation financing -- do you think it's appropriate to pay a man \$30,000 for lunch?

MR. CAPLAN: I believe it's appropriate for any person to be paid the commission that they've earned.

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No, I am not a signing officer. Mr. Dobzinski signed the cheque. I did not authorize it. I had no power to authorize cheques.

MR. POPE: No. You received that bill and you discussed it with Mr. Dobzinski, and on the basis of your advice Mr. Dobzinski issued that cheque. Isn't that true?

MR. CAPLAN: No, that is not true. Mr. Dobzinski had approved, on behalf of Wyda, as its chief executive officer, the original arrangements way back in July of 1985. When the bill was received I gave it to him. He was the one who gave it to the accounting people to raise the cheque and he signed the cheque.

MR. POPE: And you offered him no advice?

MR. CAPLAN: I offered him the advice I would offer any client, is to pay your bills.

MR. POPE: Right. Turn to Tab 23 of the IDEA Corporation book and look at page 20. Weren't you aware  
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MR. POPE: Sure.

MR. GANS: Thank you. I'm sorry, come again? What tab?

MR. POPE: Tab 23, page 20.

MR. GANS: I have it in front of the witness, Mr. Pope.

MR. POPE: Weren't you aware that it is against IDEA policy that any funds advanced be used for commission fees? Isn't that the reason why you didn't disclose this \$30,000 obligation on the closing of this transaction?

MR. GANS: That's two questions. First of all, in the first question, I gather you are asking the witness was he aware that there was this policy.

MR. POPE: Yes.

MR. CAPLAN: The answer to that is no, I was not aware that there was that policy.

MR. POPE: Why was this obligation with respect to



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someone in a contractual relationship with Wyda not disclosed on the closing of the financing transaction?

MR. CAPLAN: I believe you would have to ask the solicitors for Wyda that. The question was never raised.

MR. POPE: Why has it not been disclosed to IDEA Corporation until these hearings started?

MR. CAPLAN: I don't know the answer to that question.

MR. POPE: You were given advice. You went to the meeting on June the 24th, 1985. You indicated that you just made Damaza Consulting an active corporation, that Wyda Corporation was your first client, and that you were going after government funding as well as other sources of funding. Isn't that correct?

MR. CAPLAN: No, I indicated that Wyda Systems Canada was my second client.

MR. POPE: Okay. Is the rest of my statement correct?

MR. CAPLAN: I'm sorry? -- that I was going after government ---

MR. POPE: And private funding.

MR. CAPLAN: That is correct.

MR. POPE: That is correct. And you were advised and both Mr. Blenus Wright's memos and Mary Eberts memos say you were advised to make sure your wife was out of this? -- out of Damaza Consulting?

MR. CAPLAN: Yes.

MR. POPE: Because you had disclosed she owned a share and she was the Secretary-Treasurer and a Director?

MR. CAPLAN: That is correct.

MR. POPE: And you were told it was critically important that your wife be removed from Damaza Consulting?

MR. CAPLAN: I was told that she should sell her

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share.

MR. POPE: And that she should not be an officer or director to Damaza Consulting?

MR. CAPLAN: That is correct.

MR. POPE: Can you tell me, on the basis of it being so important, why that change, that notice of change -- removing your wife as an officer and director wasn't filed with the company's branch until August the 23rd -- eleven days after you had made your application to the IDEA Corporation on behalf of Wyda Systems and a month and a half after you had prepared the business plan?

MR. CAPLAN: The company's solicitors were instructed to make that change on or about July 1st, 1985.

MR. POPE: Something as critically as important as that and you never followed up on it to make sure it was done?

MR. GANS: Mr. Chairman, excuse me, Mr. Pope. As one who spends a lot of time examining corporate records, I know for a fact that the filings with the ministry are willfully behind the actual event. As a matter of law, the effective date of one's resignation is the date of the resignation and as authorized by the board of directors of a company or excepted by the board or tendering of resignation. The mere filing with the ministry's offices, in my respectful opinion, is of no moment.

MR. POPE: Well, Mr. Solicitor, is not that opinion contrary to Section 19, subparagraph (b), of the Business Corporations Act?

MR. GANS: There is also paragraph in there, Mr. Pope, that indicates that the minister shall revoke licences of corporations if the annual returns are not filed on an annual basis and after an expiration of two years. I would venture to say, sir, that there are about 20 per cent of the companies in the Province of Ontario whose annual returns are not filed on a timely basis.

MR. POPE: We are talking about the most critically important filing for a member of the Cabinet of Ontario. It is critically important and the only information we have, and you haven't supplied us with any different, is a filing dated August the 23rd and under Section 19, subsection (b)

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of the Business Corporations Act, you cannot claim that she was not a director.

MR. DUNS: No, we have filed with counsel for this committee a cheque payable to the order of Elinor Caplan, purchasing her one share for \$10. The date of that cheque is July 1st, 1985. It is endorsed and negotiated in early August of 1985 -- well before the application of Wyda Corporation, sir. That is in the materials with commission counsel.

MR. POPE: You will agree that as of August the 22nd if I had gone to the Business Corporations Branch, Elinor Caplan was still an officer and director of Damaza Consultants Limited?

MR. GANS: If that is what the return suggests, sir, then I can't take issue with that fact.

MR. POPE: Mr. Caplan, you described, first of all, Green and Speigel prepared on your instructions, an employment contract and sent a copy to you on June the 13th.

MR. CAPLAN: --- preparing an employment contract?

MR. POPE: An agreement then.

MR. CAPLAN: I don't recall them doing anything with relation to employment.

MR. POPE: What is it then?

MR. CAPLAN: If you are referring to the draft consulting agreement that was the subject of an exhibit in here where we had a covering letter, then I will understand what you are referring to.

MR. POPE: All right. That was prepared by Mr. Speigel on your behalf?

MR. CAPLAN: That was prepared by Mr. Speigel on behalf of Damaza.

MR. POPE: In accordance with your instructions.

MR. CAPLAN: In accordance with a telephone conversation we had, yes.



MR. POPE: Yes. And you received this document and you brought it to Mr. Dobzinski?

MR. CAPLAN: That is correct.

MR. POPE: That is correct. And it was never signed?

MR. CAPLAN: It was never signed.

MR. POPE: It represented what you hoped to do in terms of your arrangements with Wyda?

MR. CAPLAN: It represented my understanding of what Damaza's position at that point in the negotiation was with Wyda Systems, with a couple of small wording changes that Mr. Speigel had, unfortunately, misinterpreted.

MR. POPE: What were the wording changes?

MR. CAPLAN: Well, in Section 1 ---

MR. POPE: Yes.

MR. CAPLAN: The \$2,000 per month from remuneration paid in advance included all out-of-pocket expenses incurred by Damaza on behalf of Wyda with the exception of out of town travel and accommodation. With that one exception Damaza was to bear its own expenses, and which it subsequently did.

MR. POPE: Okay, any other changes?

MR. CAPLAN: Yes, there was no paragraph 3. There was no discussion of a terminal date.

MR. CAPLAN: I believe those were the two main ones.

MR. POPE: Well, in fairness to you, I think you would then say that paragraph number one in employing Damaza for a period of one year was therefore inaccurate because of the correction that you just gave.

MR. CAPLAN: Thank you very much. Yes, you are right.

MR. POPE: Doesn't this document support the premise that your soul function was to obtain financing?

MR. CAPLAN: I don't believe so.

MR. POPE: You were engaged as a financial consultant, the whereas clauses indicate your relationship -- or what your proposed relationship was between Wyda and Damaza and it talks about obtaining additional financing for corporate purposes, and that Wyda can retain you to assist in procuring such financing.

That's your lawyer indicating your intentions with respect to your relationship with Wyda.

MR. CAPLAN: I believe that the document was drafted fairly quickly and fairly narrowly on the points as laid out here without a wide understanding of all the financial consulting services that Damaza was going to provide to Wyda.

MR. POPE: I'm putting these to you because I want you to have the opportunity to clarify these things ---

MR. CAPLAN: Thank you very much; I appreciate that.

MR. POPE: --- because I don't want to make any assumptions based on something that you don't have a chance to respond to.

Could you tell me when you first met Mr. Dobzinski it was at the offices of PEC Financial Group ---

MR. CAPLAN: Financial Corporation ---

MR. POPE: --- Financial Corporation, excuse me.

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Who was present at that meeting?

MR. CAPLAN: Mr. Dobzinski and myself.

MR. POPE: And that was it?

MR. CAPLAN: That was it.

MR. POPE: Did you discuss any impending problems with respect to PEC at that meeting?

MR. CAPLAN: I don't believe so.

MR. POPE: Were you aware of the impending problems at the time?

MR. CAPLAN: I was aware of the status of PEC Financial Corporation, but I'm having difficulty with the "impending problems" phrase; I'm not sure what you mean.

MR. POPE: There's been reference from other witnesses about this matter and I'm not sure what I mean either. Can you indicate what you're aware of to the best that you can without ---

MR. GANS: Well, there have been statements been statements by some of your colleagues in this committee in respect to PEC and also mischaracterized, I might add. I don't believe the witnesses have testified on that. I just wanted to clarify that.

MR. POPE: Well I don't think that's quite accurate; I think that Mr. Dobzinski referred to it, but wasn't too specific on it. He said that he was aware of it but he wasn't aware of many details of it. I think that's accurate.

You did not believe those problems in any event would impact on your ability to serve Mr. Dobzinski?

MR. CAPLAN: No, I did not.

MR. POPE: Okay.

MR. CAPLAN: If there were any ---

MR. POPE: If there were any ---



MR. CAPLAN: --- problems.

MR. POPE: --- whatever they were.

Okay.

You indicated that you discussed your -- the elements of your retainer; was that at the very first meeting?

MR. CAPLAN: Yes, we -- I believe we discussed it in quite broad brush strokes.

MR. POPE: Which option did you recommend?

You indicated what Mr. Dobzinski did ---

MR. CAPLAN: I didn't recommend any option; I just offered the three options and it was up to him to select.

MR. POPE: Okay.

Now, you have testified that there was further discussions in the period between May the 14th, and June 17th, and you talked about then ---

MR. CAPLAN: I don't believe those were the dates.

MR. POPE: --- being more specific -- well I wrote them down whilst you were speaking ---

MR. CAPLAN: I was out of the country from about the 14th, or the 12th, or something to the 24th ---

MR. POPE: To the 24th of May?

MR. CAPLAN: Yes.

MR. POPE: Okay, from May 24th, until June 17th, I believe you indicated this morning that you firmed up some of the numbers on the different options that you discussed with Mr. Dobzinski?

MR. CAPLAN: Yes.

MR. POPE: And I just -- I do not recall, and my recollection may be faulty -- I do not recall Mr. Dobzinski in

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any way referring at this point in time to an \$8,000 number, to an \$8,000 number at this point in time.

MR. GRANS: You're correcting your recollection of his testimony. He did, however, make reference to a -- it's in here -- later testimony -- when they were making reference to the April 12th meeting and he said that the \$8,000 option was recalled to his mind, that Caplan had raised that with him in the earlier stages.

That was my recollection of his evidence in any event.

MR. POPE: Could you tell me why you were never registered with the Companies Branch as Vice-President and an officer of Wyda?

MR. CAPLAN: Because I was not an official officer of Wyda; it was a title of convenience.

MR. POPE: We've heard the IDEA Corporation's solocitor, I think, give the opinion that because you were held out to be an officer, you were an officer.

Did you consider yourself to be holding out as an officer of Wyda Corporation in your dealings?

MR. CAPLAN: I did not consider myself to be an official officer of Wyde Systems. I considered myself to be a financial consultant to the company.

MR. POPE: But you agree that you were described as a Vice-President throughout the documents submitted to IDEA Corporation?

MR. CAPLAN: From the documents I've been shown this is true.

MR. POPE: Yes, and you had a hand in the preparation of those documents?

MR. CAPLAN: Yes, I did.

MR. POPE: Okay.

Is it fair to say for natural reasons, including

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pride, that in virtually every contact that you made with banking circles and financial circles you had indicated that you were the spouse of a Cabinet Minister in the Ontario government?

MR. CAPLAN: No, I don't believe that would be fair to say.

MR. POPE: The majority?

MR. CAPLAN: I didn't keep score. As I mentioned, it is not a relationship I was ashamed of.

MR. POPE: No, no, certainly not.

THE CHAIRMAN: Can we move on rather than get into a different tact at this time just when we are about to change?

MR. POPE: Yes.

THE CHAIRMAN: Mr. Wildman, back to you.

MR. WILDMAN: Thank you.

Mr. Caplan, can you describe for the committee what you understand, in your experience in financial affairs, the difference between a finder's fee and a commission?

MR. CAPLAN: They're not exactly synonymous. The commission would normally entail more work than a finder's fee, but they're often used interchangeably. It's hard to give an exact definition. People often use them interchangeably, but technically a commission would entail more work than a finder's fee.

MR. WILDMAN: Would you have used them interchangeably in describing Mr. Fleischmann's -- the obligation of Wyda to Mr. Fleischmann, if IDEA did agree to invest in Wyda?

MR. CAPLAN: It is possible that I would have.

MR. WILDMAN: So in your -- what you're saying is



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that it is possible that you would describe the obligation to Mr. Fleischmann on the part of Wyda to pay him a finder's fee.

MR. CAPLAN: Yes, as a finder's fee, as an introduction fee and as a commission, yes.

MR. WILDMAN: All right. Thank you.

Since you said that you felt you were operating in accord with the government guidelines, you didn't seek advice from anyone; that you didn't seek advice with regard to the difference that you had with Ms Eberts' letter for instance, you didn't go to a lawyer, you didn't go either to your own lawyer or Mr. Wright or even to your wife, Ms Caplan, to discuss it?

MR. CAPLAN: In that context, yes.

MR. WILDMAN: Now, I would like to move to your contacts with IDEA in January. You described this morning the discussions you went through with Mr. Dobzinski prior to meeting with Mr. Parikh of IDEA. Is it fair to say that the reason you had those discussions with Mr. Dobzinski was that you were concerned at least you might seem to be in violation of guidelines in contacting someone with IDEA directly?

MR. CAPLAN: No, I don't believe that would be a fair assessment of my reasons. I believe that my reasons were that if possible I wanted to follow the political advice that I had been given and there was never a question that there would be any contravention of the guidelines by contact. I had never been given that advice. It was not my understanding from a reading of the guidelines that mere contact constituted a contravention.

MR. WILDMAN: In the context of what you understood to be political advice, you didn't seek any further political advice when it became obvious that the negotiations were such that Mr. Dobzinski felt it would be beneficial for Wyda and for IDEA for you to talk to Mr. Parikh?

MR. CAPLAN: That is correct.

MR. WILDMAN: Not even Mrs. Caplan?

MR. CAPLAN: Not even Mrs. Caplan.

MR. WILDMAN: Okay. This may sound like a redundant question, but could you explain why not? I mean, why didn't you talk to your wife about this situation?

MR. CAPLAN: I didn't believe anybody else, including my wife, who would be in a position to assess the balance between the professional reality and my professional obligation and the political advice. I didn't want to put her or anybody else in the position of making that kind of an assessment when I was the only one who was really able to assess both sides of it. That was the reason. I felt it was my decision. It was a decision that I was very comfortable having made. I had fulfilled and continue to fulfill my undertakings re the actual guidelines themselves and I was the only one who could assess my professional responsibility, and that's the reason I didn't consult with my wife or anyone else.

MR. WILDMAN: In your meetings and discussions with Mr. Parikh in which he was seeking information about the assumptions that you had made with regard to your financial projections, is it not true that in your discussions with Mr. Parikh, you were, in fact, selling the Wyda application to IDEA? -- that you were pressing IDEA to accept the application?

MR. CAPLAN: I was attempting to represent my client in the most favourable light possible with regards to the financial projections and the business plan. It was my client's concerns and desires and goals that were my main goals in this particular case and I made every effort to represent them as favourably as I could.

MR. WILDMAN: I think that everyone here would expect you to do that. But the problem is, don't you -- it didn't occur to you that that, in fact, might be a violation even of Mr. Wright's understanding of the guidelines?

MR. CAPLAN: Absolutely not. It didn't occur to me and I don't believe it is.

MR. WILDMAN: All right. Then, I'd like to move now -- I think it is 1-13.

MR. GANS: I am waiting for someone to call out BINGO!

MR. WILDMAN: Counsel has got a break so he doesn't worry about it.

MR. GANS: Excuse me?

MR. WILDMAN: Counsel has a break so he doesn't worry about it. Do we want to have a break for a couple of minutes, Mr. Chairman?

THE CHAIRMAN: I don't think that was the intent of the remark.

MR. GANS: No, it wasn't.

MR. WILDMAN: This is in the letter of April 14th from Damaza Consultants Ltd., signed by you and it deals with the retainer.

This morning as I understood it you indicated the reason this is such a brief letter and doesn't include the



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terms or the reasons for the change from \$2,000 to \$8,000 per month or the duration of this arrangement -- you described that as an oversight. Is that correct?

MR. CAPLAN: I don't recall if I used the word oversight or just that this was for information, brief information purposes. Our relationship was not characterized, you can tell from my evidence, by a lot of written agreements.

MR. WILDMAN: All right. This morning you also indicated that this was going to be -- the understanding you had verbally with Mr. Dobzinski was that this would be, at the most, three months and would be on a monthly basis and that you would hope that it might be terminated before the end of three months.

MR. CAPLAN: I had hoped it would be terminated after one month; that is correct.

MR. WILDMAN: Is it accurate to say that this was, in fact, terminated as of June 16th, the same day your wife resigned from the Cabinet?

MR. CAPLAN: That is accurate.

MR. WILDMAN: Do those two events have anything to do with one another?

MR. CAPLAN: No, they do not.

MR. WILDMAN: You also indicated this morning, and perhaps counsel can assist me here, that you had discussions with Mr. Dobzinski to the effect that if you had to extend this beyond three months -- your relationship -- that you would be moving to an hourly rate?

MR. CAPLAN: No, I don't believe that is quite correct. At the end of the first month when Mr. Dobzinski elected to conclude the \$8,000 per month retainer fee at the end of the following month; in otherwords, at the beginning of the second month he said this will be the last month for the \$8,000 retainer fee. If we require your services after June 16th, we'll pay you on the basis of \$150 an hour.

MR. WILDMAN: Well, Counsel, in Mr. Dobzinski's

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testimony, is that described? My understanding of Mr. Dobzinski's testimony last night was that the arrangement was terminated suddenly. That was the word he used -- 'suddenly' on June 16th by you, Mr. Caplan. Now, is that your understanding of how it happened?

MR. CAPLAN: Any ongoing relationship after June 16th was terminated by me on June the 13th. I phoned Mr. Dobzinski on June 13th and told him I would have to terminate our relationship as of June the 16th which was the end of the second monthly billing period. On May 16th, 17th, approximately, Mr. Dobzinski had informed me that the monthly billing -- May 17th to June 16th of \$8,000 -- would be the last retainer on a monthly basis; after that, if the company required my services he hoped I would continue to make my services available for phone calls and so on, for fill-in information if required, and that I would be paid at \$150 an hour for any ongoing after June 16th.

MR. WILDMAN: And that was at ----

MR. CAPLAN: That was the beginning.

MR. WILDMAN: The middle of May?

MR. CAPLAN: Yes. Subsequent to that on June 13th I called him and told him I would definitely have to terminate the relationship as of June 16th -- there could be no follow-up after that.

MR. WILDMAN: I think -- was there anything like that in Mr. Dobzinski's testimony?

MR. PETERS: If I could be of assistance, Mr. Chairman, my notes of that testimony were to the effect that there was a discussion with regards to the flat fee. The testimony of Mr. Dobzinski, to the best that I noted it, didn't discuss the \$150 an hour retainer, but was a change in the flat fee.

MR. WILDMAN: That's what I understood. Now, can you ---

MR. GANS: I can assist you. In my recollection of it, you're quite right, he did indicate that he received a phone call on the 13th -- and I note on my calendar it was Friday the 13th; nothing turns on that I suspect, but in any event -- and what he was asked for, if I might put his evidence in context as I recollect it, Mr. Chairman, is: What was the deal that was struck in April?

And the focus of his evidence was in respect to the deal that was struck on April the 12th, which was the \$8,000 deal. He was not asked, as I recall his evidence, about any subsequent conversations, and whether or not there was any discussion about it changing later on.

In any event, it proved academic, because later on never took place as of the 13th of June.

As I recollect his evidence of last night, the matter really wasn't canvassed with him.

MR. WILDMAN: All right. Your understanding, then, was -- or correct me if I'm wrong -- that in April you had discussions with Mr. Dobzinski about changing the fee and going to a flat fee of \$8,000 a month for a period of up to three months.

MR. CAPLAN: That was one of the options I offered, yes.

MR. WILDMAN: At that time did you discuss an hourly fee?

MR. CAPLAN: Yes, that was the other option that I offered, that he could have the services of Damaza at \$150 an hour.

MR. WILDMAN: And he rejected that.



MR. GANS: I'm sorry, Mr. Wildman. My recollection of his evidence is that the two options were provided.

MR. WILDMAN: All right. And he rejected that second option at that time.

MR. CAPLAN: Yes.

MR. WILDMAN: Okay. And then, when that first month's period was up, at the beginning of the second month, your testimony is that he indicated this would be the last month for the \$8,000 ---

MR. CAPLAN: That's correct.

MR. WILDMAN: --- and that, subsequent to that, you could be available on an hourly basis.

MR. CAPLAN: That's correct.

MR. WILDMAN: Do you have any disagreement with his testimony as to the termination of -- how he characterized the termination of your relationship, or, as you called it this morning, the severance of your relationship as of June 16th?

MR. CAPLAN: I don't know what his testimony is.

MR. WILDMAN: Well, he just said it was sudden.

MR. GANS: I don't think the witness is taking issue with that.

MR. WILDMAN: No. And it was at your initiative, not his.

MR. CAPLAN: Yes.

MR. GANS: I don't believe, Mr. Wildman, respectfully, sir, that there's any inconsistency in the evidence of the two witnesses, that is, the evidence of this witness and Mr. Dobzinski. The issue -- and counsel for the commission can assist you on this, sir -- the issue was never really canvassed with him. The entire relationship was terminated as of June 13th; there's no dispute about that. Whether or not Dobzinski was going to put him on hourly after the latter part of June was really never canvassed with him.

MR. WILDMAN: All right. I'll leave that for a

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moment then.

What was Mr. Dobzinski's reaction when you told him that you were going to have to sever your relationship?

MR. CAPLAN: He told me that he understood, and he hoped that we would maintain our friendly relationship in the future. His attitude was one of understanding.

MR. WILDMAN: All right. What was different about your indication that you would have to withdraw from the relationship in June from the earlier discussion you'd had with him as described in the draft letter of August 6th?

MR. CAPLAN: This decision was not open to discussion. It was a firm and final decision on June 13th, 1986.

MR. WILDMAN: All right. But the previous approach you made to the effect that Damaza would have to withdraw from its relationship was open to discussion.

MR. CAPLAN: I don't believe "would have to"; I believe "wanted to", "wished to", rather than "would have to". Damaza wished to withdraw from it, but it was open to discussion.

MR. WILDMAN: All right. Thanks.

THE CHAIRMAN: We've got a little less than an hour remaining before we break. I'm just wondering, Mr. Caplan and Mr. Gans, if you'd like to have a brief break now before we continue, or would you rather stick it out?

MR. GANS: I'd rather have a little bit of a break.

THE CHAIRMAN: All right, we'll have a little bit of a break, then.

MR. GANS: Thank you.

The committee recessed at 5:35 p.m.

The committee resumed at 5:45 p.m.

THE CHAIRMAN: We shall resume. I'll ask Mr. Gillies to begin the questioning.

THE VICE-CHAIRMAN: There's one thing I'd like to clear up right from the start. There's a bit of confusion, in my mind at least, Mr. Caplan, about the circumstances of the closing on April the 18th.

MR. GANS: The two closing dates are April 12th and April 18th.

THE VICE-CHAIRMAN: The execution date on April 12th, and then the closing date on April 18th.

Did you say in your testimony, Mr. Caplan, that Mr. Dobzinski was present and working at the time of the closing?

MR. CAPLAN: I don't know if I said it, but he was.

THE VICE-CHAIRMAN: Okay. I guess we'll have to review the transcript. My recollection was that Mr. Dobzinski said he was away at the time of the closing.

MR. CAPLAN: No, absolutely not. It was with some pride that he walked over to the bank with the cheque and deposited it himself.

THE VICE-CHAIRMAN: Okay, so he was present. And I refer you -- then we'll have to see if there was some misunderstanding in Mr. Dobzinski's testimony -- but I refer you in the documents to tab I, page 13, which is the letter from you dated April the 14th to Mr. Dobzinski indicating the change in your retainer fee. It's the very short letter that says, "Further to your engagement letter, this is to advise you that Damaza's fee will be \$8,000 per month," et cetera.

My recollection is that Mr. Dobzinski did not think he had seen that letter, and that his indication that he was away came up in that context. He hadn't seen it; he was away; it probably was filed; and because of his absence he didn't see it.

You are now telling the committee that he was present, that he went with you to the bank with the closing cheque.

MR. CAPLAN: That is correct.

THE VICE-CHAIRMAN: That is correct.

MR. CAPLAN: I'm not commenting on whether he saw the letter or not, but I'm commenting that it's correct



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that he was present at the closing and took the cheque to the bank.

THE VICE-CHAIRMAN: All right. And your testimony further then, as I recall, was that you -- to the best of your recollection, you wrote the letter on the day that it is dated, April the 14th.

MR. CAPLAN: To the best of my recollection, yes.

MR. WILDMAN: Just as a point of order, counsel could clear this up for us, but I thought Mr. Dobzinski testified that he was going away, and he was trying to clear things up before he left.

THE VICE-CHAIRMAN: We're labouring under a bit of a problem, because we don't have that Hansard yet.

MR. PHILIP: Counsel says that was the evidence.

MR. GANS: I can assist, though, Mr. Gillies. He did sign the Canadian Intercorp cheque on the 18th, so he was obviously there on the 18th.

THE VICE-CHAIRMAN: So he was present. As soon as we get to Hansard, we'll be able to clear it up, hopefully, but I'm still puzzled as to why Mr. Dobzinski said he hadn't seen that letter. But we'll just have to check that out.

I'd like to ask you a couple of questions, Mr. Caplan, about your relationship with Mr. Fleischmann. You indicated earlier that you had known him or he had been a friend of yours for some 30 years.

I wonder if you can tell us whether you had a history of business dealings with him during that period? Had you in fact been engaged in business with him prior to your introduction of Mr. Fleischmann to the Wyda people?

MR. CAPLAN: I don't believe I had.

THE VICE-CHAIRMAN: You don't believe so. Have you had financial dealings with him? And in that I mean, for example, are you or have you been financially indebted to Mr. Fleischmann; has he or is he in any way financially indebted to you?

MR. CAPLAN: The only other dealings that I have

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had with Mr. Fleischmann, and, in fact, with Canadian Intercorp, is that they -- Canadian Intercorp -- engaged Damaza to do two small economics studies in the fall of 1985, which Damaza did and presented to Canadian Intercorp and billed them and got paid for.

Other than that, there have not been any financial dealings, to my recollection.

THE VICE-CHAIRMAN: Okay. Could you tell the committee the nature of those two studies that you did? Let's do them in sequence. There were two studies that you did for Intercorp. Let's talk about the first one.

Now, first of all, I appreciate your look of concern, counsel. I don't particularly want you to divulge the name of any customer or confidential client.

MR. GANS: That was my concern.

THE VICE-CHAIRMAN: I'm just trying to get at the nature of the transaction.

MR. CAPLAN: The one had to do with an economic study of work stoppages in the automobile industry in Ontario.

THE VICE-CHAIRMAN: Do you recall approximately when you did that work for Intercorp?

MR. CAPLAN: September/October of 1985.

THE VICE-CHAIRMAN: And could you tell us, to the best of your recollection, the amount of the retainer that you were paid by Intercorp for that study?

MR. CAPLAN: I believe it was \$1,000.

THE VICE-CHAIRMAN: And the second one?

MR. CAPLAN: The second one was a critique on a real estate development proposal that a client of Mr. Fleischmann's was constructing.

THE VICE-CHAIRMAN: Okay. And again, the approximate timing of that?

MR. CAPLAN: Same time, in the September/October area of 1985, and the fee for that was, I believe, \$1,500. I may have the two fees reversed, but one was \$1,000 and one was \$1,500.

THE VICE-CHAIRMAN: Okay.

MR. CAPLAN: There were invoices rendered at the end of October in 1985 and the bills were subsequently paid by Canadian Intercorp to Damaza.



THE VICE-CHAIRMAN: To the best, again, of your recollection, nobody involved -- neither of the clients in those particular deals were in any way involved in Wyda or in the Cumberland Group?

MR. CAPLAN: Neither of those clients of Canadian Intercorp were involved with Wyda or the Cumberland Group.

THE VICE-CHAIRMAN: Okay. Thank you. Were there any other financial dealings of any description with Mr. Fleischmann that you can recall that we might ---

MR. CAPLAN: None that I can recall.

THE VICE-CHAIRMAN: None whatsoever?

MR. CAPLAN: None whatsoever that I can recall.

THE VICE-CHAIRMAN: Okay. I take it, then, that the answer to the other questions that I posed was in the negative: that you, for example, do not hold any loans or mortgages or any other indebtedness for Mr. Fleischmann, and that the reverse is true, he does not hold any for you or members of your family?

MR. CAPLAN: That is correct.

THE VICE-CHAIRMAN: Okay. You've known Mr. Fleischmann for a long time, obviously, and I would imagine that you have known each other partly through political connections over the years. I understand that you have a background in politics, and so does he, so that's not unusual particularly.

MR. CAPLAN: Well, our initial meeting was in university, and the fact that we support the same political party was only fortuitous.

THE VICE-CHAIRMAN: Okay. Your own political background is, to the best of my knowledge, anyway -- you ran in the 1977 election in York Mills riding?

MR. CAPLAN: That is correct -- unsuccessfully.

THE VICE-CHAIRMAN: That's a tough riding.

MR. CAPLAN: I wasn't even close.

THE VICE-CHAIRMAN: Okay. I understand also that you were campaign manager for the Honourable David Smith; is that correct?

MR. CAPLAN: No, my wife was campaign manager for David Smith in his one successful campaign.

THE VICE-CHAIRMAN: All right. Prior to your becoming involved in Wyda through Mr. Dobzinski and the introduction through your counsel and so on, did you know either Mr. Greenberg or Mr. Leo Gray?

MR. CAPLAN: No, I did not.

THE VICE-CHAIRMAN: You did not. Did you know Mr. Herb Gray?

MR. CAPLAN: I knew Herb through our political -- belonging to the same political party, and had met him on a number of occasions.

THE VICE-CHAIRMAN: Have you ever discussed with Mr. Gray any of your business relationships with either the Cumberland Group or the Wyda Corporation?

MR. CAPLAN: Which Mr. Gray?

THE VICE-CHAIRMAN: With Mr. Herb Gray.

MR. CAPLAN: No, I have not. I have discussed with Mr. Herb Gray that I had met his brother, Leo, at the Ontario Liberal Party Convention in Windsor at which he was a guest, but that was the extent of the discussion.

THE VICE-CHAIRMAN: Okay. I'd like to turn to the period of time in January which you described in your testimony as being the -- no, I won't use an adjective; just the period of time where you found that you were having to start to deal directly in a couple of instances with the IDEA Corporation staff, and that you expressed your concern to Mr. Dobzinski at the time.

I think it's fair to say that the committee is getting the impression -- and I invite you to correct it -- that you were getting pressure. Mr. Dobzinski was very worried about his company; he was worried about the progress of the IDEA deal; and that he asked you very directly to initiate the direct contact. Is that a fair assessment of what led to that?

MR. CAPLAN: Yes, it is.

THE VICE-CHAIRMAN: You then expressed concerns to Mr. Dobzinski about the propriety of that and the possible political ramifications of doing that.

MR. CAPLAN: I didn't, as I recall, express any reservations about propriety. I don't think there was a question of propriety. Mr. Dobzinski was aware of my desire to not have communicative contact with staff from the IDEA Corporation, so he was aware that that was the status as of that time, so there was not a necessary discussion of that.

THE VICE-CHAIRMAN: Mr. Dobzinski was obviously concerned because of the indication in the October budget that the IDEA Corporation might be wound down. He could see the possibility that that might happen and that his grant might not be approved; hence the concern.

MR. CAPLAN: It wasn't a grant.

THE VICE-CHAIRMAN: Pardon me. Not the grant, the financing.

Did he ask you -- at the same time he was asking you to approach IDEA staff, did he ask you to approach anybody else within the government?

MR. CAPLAN: He did not.

THE VICE-CHAIRMAN: Did he ask you to determine if in fact the wind-down of IDEA was imminent, or when that might be happening?

MR. CAPLAN: He did not.

THE VICE-CHAIRMAN: He at no time, then, asked you to ask you wife either to determine any of those things?

MR. CAPLAN: He did not, at no time.

THE VICE-CHAIRMAN: I'd like to ask you, then, just one or two questions about the June 13th meeting. This is the afternoon meeting when you and Mrs. Caplan went in to see the Premier.



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I wonder if you could just tell us a bit about that meeting, just your recollection of it.

MR. CAPLAN: The meeting was basically among the three of us: the Premier, my wife, and myself. The Premier wanted to learn, on a first-hand basis, the facts behind the newspaper article in The Sun that had been published that day, and my wife and I enlightened him as to the facts and basically -- not in the detail that it's come out before this committee, but basic detail.

My wife and the Premier then discussed what the best strategy would be to deal with the newspaper article, and came to the conclusion that a statement in the House by my wife, clarifying the situation and providing the facts to the House, would be the best method of handling that.

While we were there, there were a number of people who came in and out and answered certain questions that were raised, such as -- there was one gentleman who told the Premier he had double checked with the Attorney-General's department, and that there definitely was no conflict of interest contravention in this particular case.

The Premier also suggested that I, through Damaza, terminate the relationship with Wyda because of the article that had been published.

That's basically the discussion that took place.

THE VICE-CHAIRMAN: In view of the fact that somebody in the room had said that he did not feel there was a conflict of interest, why do you think the Premier asked you to terminate the relationship?

THE CAPLAN: I don't want to quibble, but I don't think he said he didn't feel there was a conflict of interest; he said he had checked and there definitely was no conflict of interest.

I think the Premier -- it may be presumptuous to put myself in the Premier's shoes -- but it was in reaction to the article and the fact that many of the facts in the actual situation were not made clear in that particular article, and there was an apparent view that there had been, from the article, some benefit to myself and to Damaza.

That was my sense of why he was asking me to -- advising me to terminate the relationship immediately so that that situation would not continue and there could not be further misinterpretation.

THE VICE-CHAIRMAN: During the month of March, you had started on your new enterprise, your new company. Did you indicate this to the Premier? Did you give him any indication in that meeting of what your future business plans were?

MR. CAPLAN: I believe I did.

THE VICE-CHAIRMAN: So it's fair to say, then, that he knew that you'd indicated to him that it was not your intention to stay with Wyda for many more months, regardless?

MR. CAPLAN: I believe I outlined for him what the arrangement was with Wyda, and that after June 16th, it was only on an incidental basis, billable at the \$150 an hour. He thought it was preferable to terminate even that relationship.

THE VICE-CHAIRMAN: All right. So he had an indication you were going to be withdrawing somewhat, and that your services would be offered to Wyda on a less frequent basis, but he asked you to terminate completely as of that date.

During the course of the meeting, was there

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discussion as to whether or not Mrs. Caplan would offer her resignation on the subsequent Monday, or any other date?

MR. CAPLAN: No, there was not.

THE VICE-CHAIRMAN: There was not. There was no discussion of that? It was neither offered, nor was it suggested that it would be accepted?

MR. CAPLAN: It was not suggested, but it was offered.

THE VICE-CHAIRMAN: So she offered her resignation on Friday the 13th, and the Premier did not accept it.

MR. CAPLAN: That's correct.

THE VICE-CHAIRMAN: And he offered no opinion at that time as to what his future plans in that direction might be.

MR. CAPLAN: That is correct.

THE VICE-CHAIRMAN: I know it's difficult with people coming and going, and I'm sure you didn't even know all of these people ---

MR. CAPLAN: That is also correct.

THE VICE-CHAIRMAN: --- but can you tell us even the people who may have entered or left that meeting that you knew?

MR. CAPLAN: Herschel Ezrin, a gentleman who I was subsequently informed was Bob Carmen, and those were -- I'm not sure whether Gordon Ashworth was in and out of that meeting, too. He may have been. I'm sorry; the meeting was -- we were sitting quite close to one another, and the people in and out were kind of behind us.

THE VICE-CHAIRMAN: The Attorney General was not at the meeting?

MR. CAPLAN: The Attorney General was not at the meeting. I don't recall any other Cabinet officer being at the meeting besides the Premier and my wife.



THE VICE-CHAIRMAN: All right. I'll just ask one final question now.

I come away with the impression from your testimony that you did not discuss your business dealings to any great extent with Mrs. Caplan. Let me give you an example. She brought home the draft of the August 6th, 1985 letter and left it, by your testimony, without comment.

MR. CAPLAN: Probably because it was in an envelope.

THE VICE-CHAIRMAN: But at no time -- I'm not trying to quibble, but at no time would you have discussed something of that import to your business career with your wife?

MR. CAPLAN: My wife asked me to take on the responsibility for the both of us, since we both had the obligation, to deal with the filings and all matters related to the conflict of interest guidelines. She was in no position where she had any contravention possibility. She didn't own anything particularly that would be sensitive. And I, I guess because of my C.G.A. background, was always the bookkeeper in the family and looked after the records and so on.

I dealt with Joyce Bryant, who was the person in her -- her private secretary in her office who did the typing of these things, and I would review them. She would send things to me by envelope; I would send them back to her. Even the question of the stationery that we talked about before -- I would probably put it in an envelope, address it to Joyce, and put it with my wife's things. It wasn't even something that she even probably knew about.

I was very careful -- perhaps I'll go back a step. Because of my wife's duties and the jobs that she was carrying, we didn't see a lot of each other. Our primary conversation took place at 6:00 in the morning when she got up to go to her first meeting. She normally had a breakfast meeting at 7:00, and I got up to play squash. On the weekends she was very tired and slept a fair bit.

Most of our discussions, if not all of them, would be on family matters, because we just didn't get to see each other and talk to each other nearly as much as we had

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previously. She would come home at 10:00 and 11:00 and fall into bed.

I was, however, sensitive to -- if there was going to be some interaction on my part or an associate or a client's part, I would normally mention that to Elinor so that she would be aware of it, and if she had any discomfort, she could discuss it with me.

We never had a discussion when I told her originally that it was my intention to have an application to the Ontario Development Corporation, but that fully complied with the opinion and advice that I had from Blenus Wright. She was satisfied with that and never pursued a discussion, never commented on it particularly.

When I told her that Wyda had approached the IDEA Corporation, but that was also in line with the advice of Blenus Wright, she never commented on it.

I gave her the opportunity, if she wanted to express any concerns, for her to do so. She never did. I believe she was confident that I was being guided by the advice I was being given, I was following it, and that I was very careful to ensure that I would not put either of us in a conflict of interest position.

THE CHAIRMAN: Sorry, your time is up.

Mr. Epp.

I am Mr. Epp and I've just got short questions.

I guess you've touched on this earlier, but I did want to just reiterate and satisfy myself with the work that you were doing at Wyda Systems, the kind of hours that you're spending there and so forth. Could you just elaborate a little on that for my benefit and ---

MR. CAPLAN: Yes ---

MR. EPP: --- for the benefit of the other members of the committee. You know, how much time were you spending there? What kind of work were you doing, and so forth?

MR. CAPLAN: I was probably spending about three-quarters of my time on average at Wyda; it's a little more than I had originally estimated, but that would be my best guess as to the amount of my time. And the balance of it was with other clients and affairs.

The scope of the work was primarily the sourcing and preparing of material for equity injections, venture capital, financing for the company.

I also did all the financial negotiations, or most of the -- the vast majority of the financial negotiations for the company with regards to the bank, the leasing company, suppliers, landlord, accountants, lawyers, other consultants. I worked very closely with other consultants who were sourcing financing for the company. I worked with the Revenue Canada people ensuring that the records and the filings of the company were precise and accurate with regards to the Part 8 Tax Liability, which is the SATC first-round financing.

I worked on the accounting system, on the monthly reports, on the administration of the company. And I worked in the area of keeping the company and its senior personnel familiar with good financial practice and good reporting. I advised, and was used by Mr. Dobzinski as his prime advisor, with regards to all non-technical matters.

MR. EPP: To what extent were you familiar with what other people were being paid at Wyda, for instance



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the senior officers? Of course you didn't sign the cheques  
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MR. CAPLAN: I had a rough idea what the other senior officers were being paid.

MR. EPP: But that's the extent of it, a kind of rough idea?

MR. CAPLAN: I had access to the files, but I don't recall that I ever looked them up as to what exactly -- I'm sure I saw the numbers at some point in reviewing the accounting records, but it just doesn't stick.

MR. EPP: But as far as negotiating and so forth, as a typical vice-president of a company would do, and for instance vice-president responsible for finance, you weren't involved in that?

MR. CAPLAN: No, I didn't negotiate any salaries; that was done by Mr. Dobzinski.

MR. EPP: I just want to -- two other questions.

With respect to -- can you just, for the benefit of the committee, explain what's involved in trying to get investment capital from the private source? For instance, I mean what kind of preparation do you have to do for that?

MR. CAPLAN: It's a very arduous process. You go through many models until you come up with what the company as a whole, with input from all sectors, the research people, the engineering people, the marketing people, and the financial people, are comfortable with as a projection of the company. It is literally weeks of continual effort in modelling and remodelling as people define their thinking, and as people define their markets and their particular task. It is probably the most arduous process to go through in my field of work, is the preparation of the financial projections.

It isn't just sitting down and doing them; it takes weeks of work. And a certain expertise as far as how to do it.

MR. EPP: So when you finally get down to a number important clients -- clients in quotation marks -- people that you think might have that investment capital,

(Mr. Epp)

you sift through them, you consult and so forth, and you finally get down to a few that you really put some kind of presentation to and some kind of pressure on to try and get some capital investment. Is that correct? Would that be a ---

MR. CAPLAN: It basically is true. You make contact with as many sources as you possibly can. You do the introductory meetings. You do the initial getting to know each other, and if it doesn't stop at that point because it looks like there isn't a fit, then you go into the presentation stage where you are presenting the actual business plans and the financial projections.

MR. EPP: Now, one further, I think, last question.

With respect to -- eventually they obviously -- with Wyda here, the money came from IDEA Corp, a public corporation -- obviously you were trying to work with a lot of private concerns, private corporations to get the money -- why do you believe you were unsuccessful in getting the money from a private source when in fact it seems that the product, the eventual product -- if they are successful and I think they will be -- you were not able to sell private investors getting -- a private investment firm, or private sources -- on investing three to five million dollars, or whatever amount it may be?

MR. CAPLAN: The type of financing that Wyda was looking at is characterized as pre-venture capital. And the reason it's called pre-venture capital is that you're trying to finance an idea; you don't even have a product yet. Venture capital comes in at the stage where you have a product and you want to take it to market. It normally covers the marketing phase, but you already have your product. Pre-venture capital you have your idea; you don't have a product; you're not sure; it's to develop that product. It's the most difficult financing to raise that there is. It takes a lot of time. It's very arduous. It has a very low success rate and it's very expensive to raise. But it is very difficult to raise pre-venture capital. People do not want to invest in an idea; they want to invest -- generally in private sources -- in something that they can see.

By the way, just one other point is we did pursue federal government financing as well as private and ---

MR. EPP: To what extent were you at liberty to

(Mr. Epp)

develop this idea to its fullest with prospective investors?

MR. CAPLAN: Security was one of the main concerns of Wyda, and justifiably so. They were dealing in ideas. If there was any kind of a leak of the research of the thinking behind it, it could be fatal to that company. We were -- Wyda would only release technical data upon the strictest of confidentiality agreements being signed, and to very limited personnel, and only if there was some excellent chance of the application succeeding. They were very concerned, and justifiably so, with the question of security.



MR. EPP: So therefore you had to develop a series of stages and meetings if you wanted to get somebody to invest in it.

MR. CAPLAN: This? Yes. We had to tantalize them with what the product would be without revealing how Wyda was going to arrive at it. Wyda would, and this Mr. Dobzinski was excellent at, would present what goals it was trying to achieve to get the interest up in prospective investors.

MR. EPP: Okay, thank you very much.

THE CHAIRMAN: Mr. Pope.

MR. POPE: Perhaps counsel can help me. We did not have copies of the cheque with respect to the transfer of shares in our documents.

MR. GANS: I had understood it was filed. I have a copy of it.

MR. POPE: That is one of the reasons why -- if I could see it -- that's one of the reasons why I asked the question.

MR. GANS: I'm sorry.

MR. PHILIP: Could you speak up? We can't hear you.

MR. POPE: Yes, I will.

MR. GANS: Let me find it, but I -- it was my understanding that that document had indeed been provided. I happen to have a photocopy of the front and back of that cheque and I believe I even made an extra photocopy. So, if you will bear with me.

MR. POPE: I'll just read it out for the members of the committee. It is a cheque dated July 1, 1985, paid to the order of Elinor Caplan, \$10; purchase of one share Damaza Consultant Ltd., signed by David Caplan and it is Bank of Montreal, Richmond Street in London, and it was cashed on August the 9th it appears -- Canadian Imperial Bank of Commerce in Willowdale.

MR. GANS: I happen to have the original here, Mr. Chairman, as well, if that is of any assistance to the member.

MR. POPE: Yes, the endorsement is on the back for the benefit are -- for deposit only. Then there is an account number. There is a stamp from the Canadian Imperial Bank of Commerce, the 9th of August, in Willowdale. There is a stamp of the Bank of Montreal, London, Regional Data Centre, August 9th, '85; The Bank of Montreal, Toronto Regional Data Centre, August 9th, '85. So those endorsements are on the back.

MR. GANS: Do you want me to tender this in some fashion?

MR. POPE: Why don't we just leave it with this and show it around to the members.

The point I want to put to you is this: depending on your interpretation, the cheque is cashed on August the 9th. The cheque is dated July the 1st. Irrespective of which date you except as the transfer date, Damaza Consultants Ltd., billed Wyda Systems on June the 17th, 1985, \$2,000 and were paid for services from June 17th to July 16th; therefore, at a time when your wife was still a shareholder and officer and director of the company.

MR. CAPLAN: I'm sorry. I don't understand that as a question.

MR. GANS: That is factually correct.

MR. POPE: That is all that I was after. It is factually correct?

MR. CAPLAN: Yes.

MR. POPE: So at the time your wife was still a shareholder and officer and director of the company, that company was receiving money from Wyda Systems Canada Inc., and your duties as a financial consultant and you had disclosed that amongst your duties were going to be applications for government financing.

MR. GANS: A point of that, Mr. Pope. The meeting, as you will recall, sir, with Mr. Wright ---

MR. POPE: June 24th.

MR. GANS: Was June 24th -- after the date of the original invoice, if I am not mistaken.

MR. POPE: Yes, but still you were concerned at that meeting that you were involved in obtaining government financing for Wyda Systems Canada Inc.

MR. GANS: I think I have missed the point. I am sorry.

MR. POPE: Let me repeat it. On June the 24th, 1985, at the meeting with Blenus Wright and Mary Eberts, you disclosed, first of all, that Wyda Systems Canada Inc., is a client of yours, that it was a recently acquired client, and that you were going to act for them as a financial consultant and perhaps otherwise -- the notes aren't conclusive on that, but at least a financial consultant. And you were looking for financing including government financing.

MR. CAPLAN: That is correct.

MR. POPE: And you were being paid for that as of June 17th?

MR. CAPLAN: That is also correct.

MR. POPE: And your wife was still a shareholder, officer and director of the company that was getting paid?

MR. CAPLAN: That is also correct.

MR. POPE: Sir, could you take the IDEA Corporation book of exhibits?

MR. GANS: Sure.

MR. POPE: If I could just take you through these documents -- specifically, document number two. This is the document that was submitted to IDEA Corporation August 12th, '85 apparently. Oh, I'm sorry. This is a document that has an endorsement. July the 4th, 1985 is the date that this document was prepared according to the typed date on the face of it. The first page.

MR. GANS: Yes, that is what one would indicate on the front.

MR. POPE: And you were involved on July the 4th and before then, presumably, in preparing this product outline and business plan?

MR. CAPLAN: I assisted on that, yes.



MR. POPE: And you were paid for that because that is the work covered in the period of June 17th to July 16th.

MR. CAPLAN: That was services I performed under the terms of my engagement then, yes.

MR. POPE: And you were paid for it -- Damaza Consultants was paid for it not --

MR. CAPLAN: There wasn't any specific related to this but I was paid for services and this is one of the services that I had rendered, yes.

MR. POPE: Yes. In there you are identified under management and your resume is enclosed.

MR. CAPLAN: Yes, that is correct.

MR. POPE: So, the initial application to IDEA Corporation as yourself as one of the management team, as Mr. Dobzinski described it to us yesterday -- one of the management team and your resume is given to the people of IDEA Corporation. Did you see the acknowledgement of receipt, item 3? Did you see that when it came back August 16th or thereabouts?

MR. CAPLAN: I don't believe so.

MR. POPE: Okay.

MR. CAPLAN: I'm not positive but I don't believe so.

MR. POPE: No, that is okay.

Then turn to Tab 4. This is a memo from Mr. Parikh to Geoff Cannon on September the 9th, 1985. You are again described as part of what is termed to be the "management team" -- item 3, page 2, the third underlined personnel from the top of page 2.

MR. CAPLAN: Yes.

MR. POPE: Okay? Turn to Tab 5. When did you first see that memo dated October 16th, 1985?

MR. CAPLAN: I believe three or four days ago was the first time I saw it.

MR. POPE: Would you disagree with the assumption that is underlined in this memo -- and don't answer until I give it to you -- that IDEA Corporation was advised sometime prior to October 16th, 1985, that you were part of the management team and were also the wife of a cabinet minister?

MR. EPP: Husband ---

MR. POPE: Husband, excuse me.

MR. WILDMAN: Sexist.

MR. CAPLAN: I'm sorry, could you repeat that?

MR. POPE: Is it fair to assume that before October the 16th, IDEA Corporation was told that you were part of the management team for the Wyda application and that you were the husband of an Ontario Cabinet Minister?

MR. CAPLAN: I asked ---

MR. GANS: Just answer the question.

MR. CAPLAN: It is fair to assume that.

THE CHAIRMAN: Well, we have reached the normal adjournment time. I gather Mr. Pope has some more questions to ask. I have Mr. Gillies on the list. As well I know Mr. Bell has some questions that he would like to ask.

What's the wish of the committee?

THE VICE-CHAIRMAN: Well, Mr. Chairman, we had agreed to accommodate the Premier. When is he scheduled to appear?

THE CHAIRMAN: Eight-thirty. I'd hoped that we could meet at 8:00 o'clock in camera to discuss scheduling.

MR. POPE: Can I say something else about in camera at 8:00? I would like to have introduced in camera the two studies.

MR. GANS: What studies?

MR. POPE: The \$2,500 payment from Mr. Fleischmann.

THE CHAIRMAN: Well, let's get some direction here from the committee. How do you feel about meeting at 8:00 o'clock in camera and then we have to deal with Mr. Caplan and Mr. Gans, completing Mr. Caplan's testimony.

MR. EPP: Well, Mr. Chairman, if we could finish with Mr. Caplan's testimony today, that would be helpful.

THE CHAIRMAN: What are you suggesting? That Mr. Caplan remain available following the Premier's testimony  
---

MR. EPP: No, I'm just saying that if we could finish with that now and then go for ----

THE CHAIRMAN: Well we have at least a half-an-hour and probably longer ---

MR. POPE: You won't do it ---

THE VICE-CHAIRMAN: Mr. Chairman, I would suggest -- I don't know how other members feel -- I, at this point anyway, don't have that many questions for the Premier and I doubt that we'll need him all evening. If it is not too inconvenient for Mr. Caplan and Mr. Gans, I wonder if they might be available ---

MR. GANS: I would invite respectfully, Mr. Chairman, that we finish our testimony today ---

THE CHAIRMAN: Yes ---

MR. GANS: --- or I am in real trouble at other hearings in the next couple of weeks ---

THE CHAIRMAN: --- did you want to make yourselves available and ---

THE VICE-CHAIRMAN: We'll do our best to get you on at 9:00, 9:30, something like that because we don't want to hold you up ---

MR. BELL: But, Mr. Gans, on that last comment that you made, I think without usurping or anticipating what the committee is going to decide, it's likely that Mrs. Caplan will be called to testify on either next Thursday or Friday.

MR. GANS: Mr. Solicitor, that ain't my problem.



MR. BELL: I'll leave that.

THE CHAIRMAN: Mr. Polsinelli, do you have a comment?

MR. POLSINELLI: Yes, Mr. Chairman, I was going to comment on Mr. Pope's request.

I understand that we'll be discussing at 8:00 o'clock whether or not to invite Mr. Fleischmann to give testimony -- sorry -- I understand at 8:00 o'clock we're going to be discussing whether or not to invite Mr. Fleischmann to give testimony, and with respect to the two studies, there may be some proprietary rights in respect of those studies to Mr. Fleischmann. Perhaps it would be more appropriate to request him to bring them in.

THE CHAIRMAN: Perhaps we can resolve that in camera as well, rather than having it made available, if there is any great urgency in that.

Do you agree to that, Mr. Pope, that we can discuss that during the in camera session?

MR. POPE: Sure.

THE CHAIRMAN: Okay.

All right, we'll be back at 8:00 o'clock in camera and Mr. Caplan will be available after the Premier.

The committee recessed at 6:35 p.m.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

Wednesday, July 9, 1986

Evening Sitting

Draft Transcript



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Runciman, R. W. (Leeds PC)

VICE-CHAIRMAN: Gillies, P. A. (Brantford PC)

Epp, H. A. (Waterloo North L)

Ferraro, R. E. (Wellington South L)

Gregory, M. E. C. (Mississauga East PC)

Harris, M. D. (Nipissing PC)

Miller, G. I. (Haldimand-Norfolk L)

Philip, E. T. (Etobicoke NDP)

Pope, A. W. (Cochrane South PC)

Smith, D. W. (Lamton L)

Wildman, B. (Algoma NDP)

Substitutions:

Hart, C. E. (York East L) for Mr. Epp

McGuigan, J. F. (Kent-Elgin L) for Mr. Ferraro

Polsinelli, C. (Yorkview L) for Mr. D. W. Smith

Ward, C. C. (Wentworth North L) for Mr. G. I. Miller

Also taking part:

Fish, S. A. (St. George PC)

Clerk: Arnott, D.

Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Shibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

Witness:

Caplan, E. (Oriole L)



LEGISLATIVE ASSEMBLY OF ONTARIO  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Friday, July 18, 1986

The committee met at 9:05 a.m. in committee room 1.

ALLEGED CONFLICT OF INTEREST  
(continued)

Mr. Chairman: We will get under way. I advise members that we had indicated that our meeting hours today would be from 9 a.m. until 2 p.m. Some travel plans are predicated on maintaining those hours; so we will try to adhere to that as best we can.

I want to indicate to members that if you have not read the Toronto Sun, which I have not this morning, it indicated that the clerk and I appeared before the Board of Internal Economy yesterday and met with some success so we now have moderate-priced legal help. If you feel like heaping abuse on him, do not hesitate to do so.

Mr. Ward: It has not stopped me before.

Mr. Chairman: Mrs. Caplan, welcome to public accounts. We appreciate your appearance here this morning.

Ms. Caplan: Thank you, Mr. Chairman. Let me say that I am pleased to have the opportunity to appear before the committee. I would like to let you know before we begin that I have a touch of bronchitis. If I cough from time to time, I hope you will understand. I know it plays havoc with the mikes.

Mr. Chairman: Have you any additional comments you wish to make at the outset?

Ms. Caplan: No. I am happy to answer questions.

Mr. Chairman: We will begin the questioning with our legal counsel, Mr. Bell.

Mr. Bell: Before I begin, I want to indicate to the committee that Mr. Arnott is distributing a piece of documentation I received from Mrs. Caplan in the interval between our last meeting and today. The document you have represents the filing document referred to in Mrs. Eberts's letter to Mrs. Caplan of July 8, 1985.

I should tell members of the committee that some pages have been deleted. I have those pages, which were deleted on my decision. They represent certain matters of a personal financial nature, and I do not believe they are relevant to the terms of this inquiry. I understand from Mrs. Caplan that, if necessary or if called on by the committee, she is prepared to discuss that information with the committee in camera. She prefers, however, in my opinion for good and sufficient reason, that it be kept confidential. Five pages have been removed, but they do not alter the substance of the document or the purpose of the committee's request for the document. It now completes the July 8 letter in terms of content and attachment.

Mrs. Caplan, as you are probably aware, having followed the committee's proceedings, questioning tends to take the form of a chronology of events and circumstances, and I would like to keep to that in your examination. Although I do not propose that we stick to a clear chronology of events that happened from day to day, I want to concentrate on some issues. That will be more useful for the committee and will assist your testimony as well.

We can start on May 2, 1985, which is the date of the last provincial election. That is the date you were first elected to the Legislative Assembly, at that time as an opposition member. Is that correct?

Ms. Caplan: Yes, that is correct.

Mr. Bell: Prior to that day, had you any knowledge or understanding of what we now know are the cabinet guidelines for conflict of interest?

Ms. Caplan: No, I did not.

Mr. Bell: Prior to that day, did you have any knowledge of your husband's impending involvement with Wyda Systems (Canada) Inc.?

Ms. Caplan: Prior to May 2, no, I did not.

Mr. Bell: I want to pursue the question of the extent of your knowledge of your husband's retainer with Wyda. You have heard testimony that the retainer was changed on a number of occasions.

Ms. Caplan: I have actually read the testimony as opposed to have heard it.

Mr. Bell: Depending on definition, it is possible to conclude that the retainer may have changed as many as five or six times--but let us not get hung up on that; it is just a question of definition--in the period from May 2, 1985, to September 1985. The relevance of the last date is that somewhere around September 17 the guidelines in their current form became effective.

Ms. Caplan: I think what you are getting at is that there were, as I saw it, three stages. The first stage, what I would call the preliminary transition stage, took us up to the point of June 26, which was a swearing in of the cabinet or some time just beyond that, during which time Mary Eberts was involved as a member of the transition team.

The second phase, as I would describe it, would be the period between the end of the transition and the formal presentation of the guidelines, during which time Mr. Wright was the adviser. Upon the presentation of those guidelines some time in mid-September, I believe, they became operative and Mr. Wright continued to be the adviser on behalf of the government.

Mr. Bell: Let us take those three phases. May 2 to June 26: Could you describe for the committee the nature and extent of your knowledge with respect to your husband's retainer with Wyda?

Ms. Caplan: Perhaps I could start by saying that I was aware that effective April 30, my husband had ended a business engagement and was seeking a new client and a new engagement. It was a very exciting time around the election, as you can imagine, and we had planned a trip to the Far East. It was a very fast trip, as it turned out. We had originally thought that if I was not successful in the election, we would have an extended trip. As it



turned out, we had three days in Hong Kong, three days in Singapore and 22 hours on an airplane flying home.

He actually flew out two days before me, because I was not sure until the very last moment that I would be able to go. I left on the day of our first caucus meeting, and I went directly from our caucus meeting to the airport.

Mr. Bell: Do you know that date?

Ms. Caplan: I think it was May 15 or 16, as best I can recollect. He had to be in Hong Kong for May 16, and with the time change and the plane connections, I was able to get there for the press conference. That is the time frame, but I have not gone back to check on the specific date.

Mr. Bell: All right.

Ms. Caplan: During that period while we were away--and I do not recall exactly the occasion, because it was the first opportunity in several months that we had even had a chance to talk to each other--he told me he had met a fellow by the name of Avi.

In general, he said to me that this guy had a really exciting project and that it was something he thought he might get involved with. They had been discussing generally the terms of his engagement. I do not know whether he used the term "retainer" or "fee" or whatever, but he actually said to me that, based on the amount of time involved, it might be between \$8,000 and \$10,000 a month. I am not sure he said they had discussed it at the first meeting, but the indication was that there might be another arrangement, whereby he would work for his expenses and a piece of the company--a percentage, an equity.

My husband is an entrepreneur--businessman--and that was the information he gave to me at that time. That is the extent of it, except that he was very excited about the opportunity. He thought it was a great opportunity for him.

Mr. Chairman: Ms. Caplan, I am sorry to interrupt, but I want to advise the camera people in the room that I am not going to allow them to go into the aisles behind members. We are giving them quite a few liberties as it is, and it is very distracting, to say the least. I am sorry; please proceed.

Mr. Bell: During any of those discussions on your trip, did your husband tell you the name of the company?

Ms. Caplan: No. It has been our practice over the years that generally he referred to clients and partners by their first names. I did not know the name of the company. I did not even know at that time that he was actually going to go with them or do anything with them. It was sort of general: "Oh, by the way, I have had a meeting with them and it looks kind of interesting."

Mr. Bell: For the record, the person you described as Avi is Mr. Dobzinski, president of Wyda Corp.?

Ms. Caplan: Yes. I did not even know his last name until some time in May of this year and even then mispronounced it.



Mr. Bell: Again staying with this period, you were then a shareholder of Damaza?

Ms. Caplan: I was.

Mr. Bell: I believe you held one share.

Ms. Caplan: Yes.

Mr. Bell: Did you hold a position as officer or director?

Ms. Caplan: Yes. I was, I think, secretary-treasurer; I think I had been, although I am not sure, since its conception. I believe that was 1971.

9:20 a.m.

Mr. Bell: Still during this May to June 26 period, I understand you had a meeting with Mary Eberts?

Ms. Caplan: Yes. I have not been able to pinpoint the timing of that meeting except that I am sure it was after the defeat of the government, because I think it was after June 18. It was either on the Friday or it could have been on the following Monday, which would have placed it around June 22 or June 23.

Mr. Bell: Can you describe to the committee what happened at that meeting?

Ms. Caplan: Yes. By that time, I knew for certain that a government was about to be formed. Members of our caucus had been directed that if they wished to speak to Mary Eberts about the guidelines and what it would mean should they be invited to join the cabinet or be a parliamentary assistant, they should do so.

I took advantage of that opportunity. I sat down with her, and she told me that the guidelines were under review but there were certain specific things that would likely remain. She went on to give me some details of the requirements of the guidelines as they were before and some idea that they would be changing.

Mr. Bell: I am going to get back to that meeting, but I am particularly interested now as to the extent, if any, of the discussion between you and Ms. Eberts as to your husband's intended or actual involvement with Wyda.

Ms. Caplan: When she went through the guidelines--and it was verbal; I do not remember her showing me anything at that time--she said to me that the guidelines also had requirements for spouses. When she mentioned to me the provision regarding equity in private companies, I immediately realized--I have to say that I am not sure whether or not, in the period between the end of our Hong Kong trip and my meeting with Mary, my husband ever told me what his final arrangement was. What I recalled was our discussion in the Far East where he had said that he was considering equity. I told her at that time I felt these guidelines would have an impact on him.

The other thing was that the guidelines specifically precluded work in the area of any kind of real estate, ownership or development. That was an area of expertise of my husband, and I felt that since it was going to have an impact on him, he should be the one to be told what they would mean.

Mr. Bell: Did you discuss with Ms. Eberts the necessity of a meeting between her and your husband?

Ms. Caplan: Actually, she suggested it when I raised these two points. I think what I said was I did not realize the guidelines applied to spouses, and she suggested a meeting between Wilf, herself and Blenus Wright.

Mr. Bell: There should be a black three-ring binder in front of you.

Ms. Caplan: Yes.

Mr. Bell: Could you turn to the part lettered "N" for Norman and in particular tab 10 of that part? Do you have that, Ms. Caplan?

Ms. Caplan: Yes.

Mr. Bell: We know from prior testimony that this is a note prepared by Mary Eberts during the meeting between herself, Blenus Wright and your husband on June 24. For the record, all of the first page and all of the second page down to "April 30, 1985" is information that your husband gave to Eberts and Wright that day.

You may want to take a moment to peruse that page and three quarters. My question is, was the extent of your knowledge of your husband's retainer with Wyda, as of June 24, as detailed as what is set out?

Ms. Caplan: No.

Mr. Bell: Could you indicate what, if any, information on this one and three quarter pages you did know at that time?

Ms. Caplan: I did not know the name of the company, and I knew none of the details. I think I knew he had some arrangement with them, but I did not know what it was. When he came home at the end of this meeting, he said to me: "They have explained to me the guidelines or what they expect the guidelines will be. I understand them. I understand what will be required and I will do whatever is necessary to comply to allow you to serve, should you be asked."

Mr. Bell: I am sorry to have to ask you to flip back and forth; it is the way the material was organized. Keeping your finger at tab 10, can you turn to tab H, the first page. Do you have that?

Ms. Caplan: Yes.

Mr. Bell: We know from Mr. Wright that this page is his written notes of the same meeting. I ask the same question: Can you indicate whether as of that date, June 24, you had any specific knowledge of any of the matters set forth?

Ms. Caplan: The only things I had were things that did not pertain to Wyda, and that was the name of the company he had been involved with prior to April 30.

Mr. Bell: Three quarters of the way down that page we see a note in similar terms, with Mary Eberts as well, referring to your husband's type of service provided, "identify sources, do presentation, negotiate, works alone." Do you see that?

Ms. Caplan: Yes.

Mr. Bell: Were you aware that this was the type of service or activity your husband normally engaged in or intended to engage in with Damaza?

Ms. Caplan: It leads to a broader question. I know he sometimes worked alone; most of the time he did. I have no knowledge whether he worked with anybody. I know his arrangements frequently changed and at the beginning of a change he would often tell me something generally. We did not go into a lot of detail.

Mr. Bell: During this period, May to June 26, did you have any discussions or meetings with Mr. Dobzinski or anyone connected with Wyda?

Ms. Caplan: No.

Mr. Bell: During this period, did you have any meetings or discussions with anyone connected with the Innovation Development for Employment Advancement Corp.?

Ms. Caplan: No.

Mr. Bell: Let us turn to the next period, June 26 until September 17, when the guidelines are--

Ms. Caplan: May I interject one thing? I did not meet with the Premier (Mr. Peterson) until June 25 at 3 o'clock in the afternoon, at which time he invited me to serve in his cabinet.

Mr. Bell: I have pegged June 26 until September 17 because it is reflected in the evidence as the date the guidelines were published and/or became effective. For your husband's retainer with Wyda, did you have any discussions with him in which he provided you with any details additional to those you have already described?

Ms. Caplan: Not that I can recall. Any recollection I have of what was said to me during that period was in the nature of: "I have changed my arrangement. I have spoken to Blenus. I have been assured it complies." It was in the nature of assurance that it complied with the guidelines, but there were no specific details.

Mr. Bell: Did you have any meetings or discussions during that period with Mr. Dobzinski or anyone else connected with Wyda?

Ms. Caplan: No.

Mr. Bell: I ask the same question for IDEA Corp. and its representatives.

Ms. Caplan: No.

9:30 p.m.

Mr. Bell: I would like to pursue with you the extent of your knowledge and understanding--

Ms. Caplan: Just a minute. I recall; there is one. I do believe that at some time--it could have been in July--my husband had dinner with Avi and, I think, his father-in-law. After the office, I stopped by and had dinner with them. I believe that was some time in July. It was a social dinner, no business was discussed, but I think I did meet him.



Mr. Bell: Where was this dinner? At one of their homes?

Ms. Caplan: No. I think it was at Carman's.

Mr. Bell: Were you aware of the name of the company during that meeting?

Ms. Caplan: No.

Mr. Bell: Did you discuss with them or did they discuss in your presence the IDEA Corp.?

Ms. Caplan: No.

Mr. Bell: Did they discuss in your presence or with you the prospects of financing for the Wyda corporation?

Ms. Caplan: No. The nature, as I recall, was very social. It was about his impending move to Toronto and his family. It was just very social. I recall there was no discussion whatever even of the nature of his business.

Mr. Bell: Are you able to be more precise as to when in July that occurred?

Ms. Caplan: No. I just recall it.

Mr. Bell: I would like to return and pursue with you the extent of your knowledge and understanding of the guidelines and any advice you received in respect of those guidelines from May 1985 to September 1985. We have touched upon this already. Going back to the meeting you had with Mary Eberts, you have indicated already that you are not sure if she showed you any guidelines.

Ms. Caplan: I am not sure.

Mr. Bell: It will assist you, Mrs. Caplan, if you will turn to the committee's tab C. These are the guidelines in the present form, although the paging may be a little curiously organized. I think they are set up with a page 1 for each of the ministers, parliamentary assistants and confidential staff and then page 2 in the same way. Bear with us. I am going to stick with page 1 for ministers right now.

I believe you have indicated already that Mrs. Eberts did describe for you the disclosure requirements of the guidelines in respect of you and your husband's private holdings.

Ms. Caplan: Yes.

Mr. Bell: Would you turn to the last paragraph on the first page wherein the thrust of the restriction that brings us here is set forth? Did Mrs. Eberts ever describe for you or explain to you what an interest meant in the context of these guidelines?

Ms. Caplan: I think she said equity interest, because it was the word "equity" that caught my attention. As I say, there were no guidelines before me at that time. It is hard to recall the conversation. She may have used the word "beneficial," but I am not sure.

Mr. Bell: Did she explain to you what the phrase "contractually involved" meant, found in the second line of that paragraph?

Ms. Caplan: I do not think she had to explain it, because I understood a contract with the government, and a contract is a contract.

Mr. Bell: Was there any discussion or did you receive any advice during that meeting as to the scope of the phrase "contractually involved?"

Ms. Caplan: No. I do not think I did. I say that to you because I felt I would have no difficulty whatever in complying with these guidelines as she outlined them to me generally or as I saw them in the fall.

Mr. Bell: The reason I ask you that question, and you have been following the testimony, is that you know Mr. Wright has a definition of the scope of that phrase. His definition and scope is related to section 10 of the Legislative Assembly Act, which sets out four types of contracts. I think it is fair to say Ms. Eberts has a different interpretation of the scope. We used the metaphor of a net; her net is wider. Given that, which of the two scopes was discussed at this meeting?

Ms. Caplan: I would say to you, the scope really was not discussed, as I can recall, in any way that would differ, in my mind. I never met with Mr. Wright, so I never heard his definition.

Mr. Bell: Would you flip over to the last paragraph on page 3 of these guidelines? Do you recall any discussion or explanation given with respect to this last paragraph?

Ms. Caplan: Which one are you referring to?

Mr. Bell: The last paragraph on page 3, "These guidelines are not exhaustive."

Ms. Caplan: My interpretation of that when I read it was, "When in doubt, seek advice."

Mr. Bell: Did you receive any advice or explanation from Ms. Eberts at that meeting?

Ms. Caplan: No.

Mr. Bell: Did you receive any advice or explanation from Ms. Eberts on the question of perception of compliance with the guidelines?

Ms. Caplan: No.

Mr. Bell: Was the word "optics" or words to that effect discussed between you and Ms. Eberts at that meeting?

Ms. Caplan: Not at that meeting, no.

Mr. Bell: You indicated you have never met Mr. Wright.

Ms. Caplan: That is correct.

Mr. Bell: You can confirm that the extent of your dealings with him has been by written communication.

Ms. Caplan: That is correct.

Mr. Bell: We will see these documents further. Other than Ms. Eberts, in this time frame, May to September 1985, did you have any discussions with anyone else respecting the guidelines, what they meant and what the scope of the guidelines was?

Ms. Caplan: No.

Mr. Bell: Did you have any discussions with your husband during this period?

Ms. Caplan: Which period are you talking about?

Mr. Bell: May 1985 to September 1985.

Ms. Caplan: That is an interesting question, because while we never had specific discussions about the scope of the guidelines or the guidelines, many of our friends and family asked the question, "What effect is your position going to have on Wilf?" If anything, it was to him, not to me. I would say the answer is that I never really had a discussion, but he may have.

Mr. Bell: Were you part of or present at any such discussion between your husband and any other relative or any other person?

Ms. Caplan: I think there was one discussion with my uncle, possibly at our cottage over the summer.

Mr. Bell: When the question was asked, "What effect on Wilf?" what was the answer?

Ms. Caplan: The effect was that the guidelines did have an effect and that he was doing everything necessary to comply. Actually, I think he said he could and he would. That was the term, if I recall. It was just a conversation.

Mr. Bell: After your husband's meeting with Wright and Eberts on June 24, did you have any discussion with him as to the advice given to him at that meeting?

Ms. Caplan: No.

9:40 a.m.

Mr. Bell: I ask you to turn back to tab N and turn to tab 10(a). This is Ms. Eberts's copy of the letter she sent to you, dated July 8, 1985. This copy was obtained from the confidential file that has been retained on your behalf in some vault in this building. Do I take it you do not have in your possession, control or power the original of this letter?

Ms. Caplan: I do not have the original.

Mr. Bell: What happened to it?

Ms. Caplan: I do not know.

Mr. Bell: Do you recall receiving the original of this letter?



Ms. Caplan: No.

Mr. Bell: If I may use this phrase, you are a newly appointed cabinet minister as of July 8, 1985. Do I take it that it was your practice not to receive or review letters received, addressed personally to you?

Ms. Caplan: The answer to that question is that on June 26 or the day after the appointment to cabinet, or it may been after the Premier asked me to serve on June 25, one of the things I asked my husband if he would do for me was to assume responsibility to see that I complied with the guidelines since he understood them and since he was the one who had been looking after the financial affairs of our family. He undertook to do that.

I directed my personal secretary--who, by the way, was away from the end of June until the last week of July--and I directed the staff that was there that anything that had to do with conflict of interest be put aside until she came back. I directed her to deal directly with my husband.

Mr. Bell: Do I take it that means the original of this letter was provided by your secretary to your husband?

Ms. Caplan: We discussed that, and I was there when he discussed it with you. As I understand it, she read him the letter over the telephone some time at the end of July when she returned. You have his testimony as to what happened then.

Mr. Bell: I take it she never discussed this letter with you.

Ms. Caplan: No.

Mr. Bell: Nor did anyone else prior to the committee hearings?

Ms. Caplan: I have had sentences from this letter read to me over the past week.

Mr. Bell: Other than that?

Ms. Caplan: To the best that I can recall, I have never seen this letter.

Mr. Bell: Would you turn to about halfway down the second paragraph on the first page. For some reason, Ms. Eberts has assumed that you were aware the content of that sentence that she sets forth, because she starts the sentence, "As you are also aware." Can you comment on the state of your awareness as of the date of this letter as for the content of this sentence?

Ms. Caplan: I think her awareness was an assumption of a discussion with my husband that never took place.

Mr. Bell: Let us go to the sentence where she says: "Blenus Wright and I have advised Wilf that contact by Damaza with agencies of the Ontario government looking for investment capital would present difficulties even if he were not to take an equity and the clients benefited or sought to be benefited." Did you ever have that type of discussion with your husband before that letter?

Ms. Caplan: No, I did not.

Mr. Bell: Were you aware from any source of the substance of that advice before this letter?

Ms. Caplan: No.

Mr. Bell: The next sentence is, "He has advised that he will sever the relationship between Damaza and its present client Wyda, for whom he had planned to seek Ontario government funding." Were you aware of that as of the date of this letter?

Ms. Caplan: No.

Mr. Bell: Were you aware of that subsequent to the date of this letter and, if so, when?

Ms. Caplan: Was I aware of what?

Mr. Bell: The substance of the sentence I have just read you.

Ms. Caplan: I was not made aware of the substance of this letter until the past couple of weeks.

Mr. Bell: All right. At the top of this same paragraph, Ms. Eberts starts, "As we have discussed," and it refers to certain shares that you held. Did you have such a discussion and, if so, when?

Ms. Caplan: I have to say to you that I have no recollection at my meeting with Ms. Eberts that she even mentioned the possibility of a blind trust. She told me that they would have to be sold or divested under the old guidelines, but there were things that may change. I do not recall that she mentioned a blind trust. I made a decision to divest before the guidelines came out and proceeded to do that immediately.

Mr. Bell: Over on the second page, down to the last paragraph, the last sentence really, there is the usual lawyer's invitation, "If you need any more assistance, do not hesitate to call." Did you ever call her for more assistance?

Ms. Caplan: No.

Mr. Bell: Did she ever call you for any purpose in connection with the content of this letter?

Ms. Caplan: No.

Mr. Bell: Do you know if your husband, your secretary or anybody else in your office retained something in the nature of a conflict-of-interest guidelines file?

Ms. Caplan: I think my secretary probably did. Perhaps I can give you one of the directions that I gave at the time, which may have influenced what they did. We were just hiring staff. The government, as you know, had just changed. Our staff was not in place. We did not have filing cabinets or filing systems in place, and I gave the instruction that anything which could be found in anyone else's office should not be kept. We should keep the filing to a minimum at least until we got things under way so we did not get snowed under with paper.



Mr. Bell: What effect did that have on any paper retained in respect of conflict-of-interest guidelines?

Ms. Caplan: It is speculation. Do you want speculation?

Mr. Bell: No.

Ms. Caplan: The answer then is, I do not know.

Mr. Bell: Is the answer as for any documentation that you do not currently have in your possession, power or control respecting guidelines, you are not aware of what happened to them?

Ms. Caplan: Unless you want speculation.

Mr. Bell: No, I do not.

Would you turn to tab 15 of the same part N. The committee has already heard Ms. Eberts's testimony and that of your husband respecting this letter. Ms. Eberts received it, but did not do anything in respect of it. We have your husband's testimony as for discussions with, I believe, your secretary or one member of your staff as for the letter and then his subsequent decision not to send the letter. We know from your husband that this letter was typed in your office by one member of your staff. Can you explain to the committee why that occurred?

Ms. Caplan: I guess I cannot really explain to the committee why that occurred, except that during the period that my personal secretary and my husband were having communications regarding conflict-of-interest guidelines specifically, from time to time my secretary would prepare a package which my scheduling assistant and driver, Lawrence Knox, would take to the car and I would take home. Lawrence would actually deliver it to Wilf, and then he would do whatever he had to do. In the morning, Lawrence would come and pick me up and take the package and get it back to the office. That was the extent of it.

Mr. Bell: Were you aware that this letter was going to be typed by your office?

Ms. Caplan: I do not think so. I have to say that I have no recall. Again, as a matter of fact, I did not even know this letter existed.

Mr. Bell: Until when?

Ms. Caplan: Just in the last couple of weeks.

Mr. Bell: We have heard evidence from your husband that he believes he received the letter from you at home. In fairness, his evidence says it was probably in a sealed envelope and you handed it to him at home. Does that accord with your recollection?

Ms. Caplan: I know I took home envelopes after that time. It has been the practice over the past year that my schedule was delivered home in this same fashion; sometimes put in my briefcase with a phone call to him saying, "Her schedule is in the briefcase, if you want to take it out." Actually, he kept in on the fridge.

Mr. Bell: Prior to the commencement of this committee's inquiry, did you have any discussions with your husband concerning the content of this letter?



Ms. Caplan: No.

Mr. Bell: Did you have discussions with anybody else concerning the content of this letter?

Ms. Caplan: No.

9:50 a.m.

Mr. Bell: The second sentence in the first paragraph, Mrs. Caplan. When Damaza attempted to withdraw from its engagement with Wyda, Wyda requested that Damaza continue. When did you first become aware of those matters?

Ms. Caplan: When I saw this letter a couple of weeks ago.

Mr. Bell: Is the same answer applicable for the second part of that sentence?

Ms. Caplan: Absolutely.

Mr. Bell: We get to September 17, and the guidelines are finalized; and we know from Blenus Wright and others that copies were sent to all cabinet ministers including yourself.

Ms. Caplan: Yes.

Mr. Bell: Can you recall receiving those guidelines in their present state?

Ms. Caplan: Yes

Mr. Bell: What did you do when you received them?

Ms. Caplan: I reviewed them to make sure that I understood them.

Mr. Bell: Did you review them with anybody?

Ms. Caplan: No.

Mr. Bell: Did you discuss them with anybody?

Ms. Caplan: No.

Mr. Bell: Did you discuss them at all with your husband?

Ms. Caplan: No.

Mr. Bell: Did you provide your husband with a copy of the guidelines?

Ms. Caplan: I do not think that I did. I think my office did; they were directed that anything dealing with it he was to receive.

Mr. Bell: What conclusions, if any, did you draw when you did review the guidelines?

Ms. Caplan: It was that I had complied.

Mr. Bell: Would you turn again to part H of the material. I just want to review with you with some relative speed the nature and extent of your efforts to comply with the guidelines. This is a bit out of sync.

When we deal with the Damaza share that you held, at least as of June something or other when you met with Eberts, when did you divest yourself of that share and how and to whom?

Ms. Caplan: I divested to my eldest son on July 1.

Mr. Bell: The committee has seen the cheque for \$10 that was drawn by your son in your name. We have seen some date in early August, I believe, when it was negotiated with the bank. For the record, can you confirm that you cashed the cheque and/or deposited it to the credit of an account of yours?

Ms. Caplan: I can confirm that I had the cheque deposited. Much to my embarrassment, it took until August 9, because I was not keeping bankers' hours. I finally asked a member of my staff if he would take a deposit to the bank for me. I opted for direct payroll because I never get to the bank.

Mr. Bell: The first document I would like to refer you to, and I am hoping the pages in your copy are numbered as they are in my mine--would you turn to page 6 and 7.

Ms. Caplan: My pages are not numbered at all.

Mr. Bell: Would you turn to the sixth page, which is a letter to you from Wright, September 23, 1985.

Ms. Caplan: Yes.

Mr. Bell: Can you confirm that is the letter wherein you first received the guidelines?

Ms. Caplan: Yes.

Mr. Bell: And received other draft documentation for completion, depending on whether you were going to make merely a disclosure filing or you needed some blind trust matters?

Ms. Caplan: That is correct.

Mr. Bell: Wright gives you the same offer that all lawyers do with the last paragraph on the second page, "Give me a call if you need any assistance." I take it you did not give him a call and he did not provide you with any assistance?

Ms. Caplan: I have never spoken with Mr. Wright.

Mr. Bell: You and the Premier both.

Ms. Caplan: I have never met him.

Mr. Bell: You and the Premier both. What did you do upon receipt of the material and the guidelines?

Ms. Caplan: This letter I perused briefly. When I say briefly, what I did was I took it home in an envelope and gave it to Wilf and said, "Would

you look after it?" Let me say the only reason I perused it briefly was that it actually contained the guidelines, which I read.

Mr. Bell: Will you turn back three pages? If yours are the same as mine, this will represent a filing of your husband's as of October 15, 1985. Is that correct?

Ms. Caplan: Yes.

Mr. Bell: The second page is your filing as of the same date, and yours is really two pages in length. Is that correct?

Ms. Caplan: Yes.

Mr. Bell: Does that represent the completed filing you had prepared on behalf of yourself and your husband?

Ms. Caplan: Yes. I would like to answer in this way. When this was presented to me as the final filing, I reviewed it. I then referred it again to Wilf, and he was the one who found there were a couple of typographical errors or minor things to be corrected. I had not picked them up.

Mr. Bell: We are going to see that there are some corrections made to some of the material, but the precise question is, do you know who prepared the information contained in these filings?

Ms. Caplan: My husband prepared all the information.

Mr. Bell: It was reviewed by him with you?

Ms. Caplan: No. It was actually reviewed by him without me.

Mr. Bell: You reviewed it independently of him before the final copy was actually filed?

Ms. Caplan: I did not at any time review it with him. I reviewed it only when it was delivered to my office before I then took it home. Is that clear?

Mr. Bell: Yes. Will you turn to the second page, the letter of December 13 from you to Wright, the second page of all this material.

Ms. Caplan: What page?

Mr. Bell: It is second page of the tab H material, the second page in the whole bundle. I am not sure we have ever been able to pin down the date when a filing was first made on your behalf, but can you confirm that it happened some time between October 15 and December 13, 1985?

Ms. Caplan: Yes. I do not know the exact date.

Mr. Bell: Can you confirm or do you know when, in relation to December 13, it was actually filed?

Ms. Caplan: No, I do not.

Mr. Bell: What was the reason for your letter of December 13 to Wright?



Ms. Caplan: My secretary put it in front of me. I signed it and it went off.

Mr. Bell: Did your secretary give you any explanation why Mr. Wright required the confirmation in the first sentence for your share interest in public corporations?

Ms. Caplan: My answer would be speculation.

Mr. Bell: I am sorry to have to do this to you through this material, but it is not organized in a chronological way. Will you turn to the eighth page; it is a letter of January 6, 1986, from Mr. Wright to yourself. Do you have it?

Ms. Caplan: Yes.

Mr. Bell: We know what the process was. You had completed certain information from your side. You sent it to Wright. He did the actual completion of the formal filing document. He then he sent it back to you and your colleagues for approval before actual filing. That is what we see here. When you received this letter and the accompanying next page, which is the formal filing document, did you review it yourself?

Ms. Caplan: No.

Mr. Bell: Who would have reviewed it, or who did review it in your office or on your behalf?

Ms. Caplan: It would have been my secretary in conversation with my husband. Am I on the wrong letter? Where should I be?

Interjection: It is another two pages. It is further up. It is January 6.

Mr. Bell: January 6, 1986.

10 a.m.

Ms. Caplan: January 6. I do not even remember seeing this letter.

Mr. Bell: Do you remember seeing the next page, which was the formal filing document Mr. Wright enclosed?

Ms. Caplan: I have seen this format and I have seen this format. I do not recall which one I finally reviewed. I know I reviewed the final one. I may have seen, in passage, one or the other. I cannot recall.

Mr. Bell: Do you see the note at the bottom right of the page? Blenus Wright notes a discussion with Joyce Bryant of your office on January 8, 1986. She indicates there should be two changes to the substance of the filing, one of which refers to Damaza Consultants as active. Where would she have obtained that information to provide to Mr. Wright?

Ms. Caplan: From my husband.

Mr. Bell: Did you have any discussions with Joyce Bryant or your husband about the two items in that note?

Ms. Caplan: No, I did not.

Mr. Bell: Would you turn three pages past that letter of January 6 to a letter from you of March 3, 1986. Do you have that?

Ms. Caplan: I do.

Mr. Bell: You can see that refers to an addition to the filing respecting your husband's current business, Taurus Metal Trading Corp. Do you recall sending that letter?

Ms. Caplan: No.

Mr. Bell: Do you recall discussing the content of that letter with anybody before it was sent?

Ms. Caplan: The only discussion I had was with my husband when he told me he was intending to go into this business.

Mr. Bell: Who would have made the decision to amend your filing?

Ms. Caplan: My husband.

Mr. Bell: As of the date of this letter, do you know if your husband was actively involved in that company?

Ms. Caplan: I do not know.

Mr. Bell: The last document in this whole package is the amended filing. Did you review that document before it was sent to Mr. Wright?

Ms. Caplan: I do not recall reviewing it.

Mr. Bell: Who prepared that document?

Ms. Caplan: It would have been prepared by my secretary, I think.

Mr. Bell: While we are on the subject of filings and information, I believe the clerk has placed beside you a document. It probably has a tab R attached to it. Can you confirm that, save for the five pages I referred to, that is the document Mary Eberts sent to you by her letter of July 8, 1985?

Ms. Caplan: That is correct.

Mr. Bell: Would you describe the circumstances of your completion of this document?

Ms. Caplan: I think what happened was that I looked through it, I took it home, I gave it to Wilf and I asked him to fill it out. At the back it is all in his handwriting. I told him if he had any questions he could not answer, to ask me.

Mr. Bell: Your pages are numbered. Would you turn to page 8. Did you review that page before it was provided to Mrs. Eberts?

Ms. Caplan: No, I did not.

Mr. Bell: On that point, do I take it this document was completed on your behalf?

Ms. Caplan: It was.

Mr. Bell: Did you review any part of it before it was sent to Mrs. Eberts?

Ms. Caplan: The answer to that is, I do not think so. I do not recall whether there was any question in here that he could not answer. I would have to look through each of the questions, but I do not recall that he asked me anything. I did contribute the curriculum vitae at the end.

Mr. Bell: We know from the contents that it is a relatively current CV. It had to be prepared on or after May 2, 1985, because you are shown as a member of the Legislative Assembly.

Ms. Caplan: That is correct.

Mr. Bell: Do you know when this document was completed and provided to Mrs. Eberts on your behalf?

Ms. Caplan: No, I do not.

Mr. Bell: Other than that it was before July 8.

Ms. Caplan: Obviously.

Mr. Bell: When was it completed in relation to your meeting with her?

Ms. Caplan: Well after.

Mr. Bell: Did she provide you with this document for completion at the meeting?

Ms. Caplan: No. As I recall, it was some time after assuming office. It would be after June 26.

Mr. Bell: We know from Mrs. Eberts that she attended at least one meeting of the Liberal caucus, I believe before June 26, and gave a presentation respecting the guidelines. Did you attend that session?

Ms. Caplan: Yes, I did.

Mr. Bell: That was before your trip to Hong Kong?

Ms. Caplan: I am not sure whether it was that first caucus. I suspect it was not. It was probably after my return. There may have been a caucus in between. Before I left, we did not know for sure that there was going to be a change of government, although we suspected. I think it would have been after my return, and it could have been either before my meeting with her or immediately after. I think it was before June 25, but I am not even sure of that.

Mr. Bell: At that meeting did she give any explanation of the guidelines that was different from that she gave you during your meeting with her?

Ms. Caplan: Yes. She dealt with more general philosophy. I would put it in the context of political advice.



Mr. Bell: On that question, we know your husband formed a conclusion and described the advice Mary Eberts gave in the July 8 letter as political advice for the Damaza-Wyda situation. I did not ask him this question because I thought it was more appropriate to ask you: Can you explain the difference between political advice for the guidelines and any other advice Mrs. Eberts was expected to give you?

Ms. Caplan: That is a very good question, and I would like to answer it this way. When she talked about the general philosophy, one of the things she said at that meeting of our caucus was that members of the cabinet, parliamentary assistants and, in fact, all members of the Legislature--she was referring specifically to our caucus--should conduct themselves at all times as though their business affairs and everything they do could be on the front page of a newspaper. That is not legal advice.

Mr. Bell: Is that the kind of advice you believe Mrs. Eberts gave your husband in respect of the Damaza-Wyda association?

Ms. Caplan: That would be speculation. I was not at that meeting, and I do not know what she said to him. I only know what I see in the letter, which I wish I had seen.

Mr. Bell: Why?

Ms. Caplan: We would not be here.

Mr. Bell: Why?

Ms. Caplan: I would have made him aware of the political realities.

Mr. Bell: What would have happened?

Ms. Caplan: He said on June 24, after his meeting with Mary and Blenus, that he would do whatever was necessary to comply. I believe if I had told him what was necessary politically, he would have done that as well.

Mr. Bell: If you had been aware of that letter, would you have told him to do what was necessary?

Ms. Caplan: I do not think I would have had to.

Mr. Bell: Why?

10:10 a.m.

Ms. Caplan: He said he would do whatever was necessary. Our marriage is based on confidence. If he tells me he is going to do something, I know he is going to do it. I do not question that.

Mr. Bell: You are now aware of the discussions that your husband had with Dobzinski some time late in June or early July after your husband had made a decision, at least internally, that he was going to terminate the relationship with Wyda.

Ms. Caplan: Yes. That is what he said in his testimony too.

Mr. Bell: He gave reasons, two in nature: one, it was not in a business sense as attractive a retainer as it had been prior to May 2, if that

is an appropriate date, and the other one is he did not think he could give the necessary advice or service to his client that was required in a professional sense. Were you aware of his decision at or about the time that he made it?

Ms. Caplan: No. At some point--and I think it was probably when he told me about Taurus--he told me that he had specifically chosen this business and was not going to do consulting in the future because he felt it would impact on his ability as a professional to fully serve the needs of his client.

Mr. Bell: You are aware further that after discussions with Mr. Dobzinski they decided to change the substance of the retainer, at least as far as efforts for provincial funding were concerned?

Ms. Caplan: I am now. I was not then.

Mr. Bell: Had you been aware of it then, what would you have advised your husband?

Ms. Caplan: Again, do you want me to speculate?

Mr. Bell: It is a hypothetical question, but I am not sure it is an inappropriate one in these circumstances, particularly in view of the testimony of the Premier before the committee. He engaged in a bit of discussion as to what he might have done, but for. If I am permitted, I would like you to do the same thing.

Ms. Caplan: I guess the response to that question is that hindsight is always 20:20. I can say to you there are a lot of things that I wish I knew, that I wish he had told me or that I wish I had asked. I would have told him that even though he was complying with the guidelines, I would have given him the same advice that Mary gave him in that letter, that it could look bad or present political--I may have used the word "optical" or "appearance." That is probably the advice I would have given him, that political advice, but I did not. I want to make that clear.

Mr. Bell: I do not think any group of people could be more aware of the demands on a cabinet minister than many of the people in this room, and I will include myself. Although I have never been there, I am aware of the demands. I understand when you say, "Somebody put the letter before me and I signed it." I am sure many others in this room do.

Can we have your comments as to whether--in the context of conflict-of-interest guidelines and what that entails, with the benefit of what you have experienced in the last month and a half--that is the type of thing that should be brought to the direct and immediate attention of the minister concerned?

Ms. Caplan: I hope that is something Mr. Aird will address. I think that is what is being raised here. It is appropriate for me to say to you at this time that when I read those guidelines I did not believe there was a perception test. From my experience on the municipal council, there is disclosure; there is no perception. It is factual and the arbiter is the courts. I do not think you can have a perception test unless you have some form of arbiter in the Manual of Administration, which Mr. Philip at one time referred to in a question; the arbiter there is the deputy minister for the purpose of the civil service. It never occurred to me that in fact there was a perception test or that in fact my husband needed political advice.



Mr. Bell: I was not referring to or even thinking about what the test is of the guidelines but just in the general question of any matter that comes to the minister's staff's attention that relates to the minister's obligations under those guidelines. For example, the August 6 letter or the July 8 letter: Should they be matters that were in there as a requirement that the minister is made specifically aware of and makes some specific decision in respect of that process? I know this is hindsight.

Ms. Caplan: Yes. Let me say to you that, in hindsight, I would have directed my secretary to ensure that I saw those things. In fact, I gave her the opposite direction, which was to say, "Wilf is going to look after all of that." Hindsight being 20:20, if I had done that, we would not be here. That is the reality.

Mr. Bell: Can we talk about the nature and extent of your knowledge of your husband's retainers during the balance of this chronology? We are into September 1985. We know now there was the original retainer, and then it was changed to reflect Eberts's advice and your husband's decision or against the background of Eberts's advice and your husband's decision. That is on an internal basis only. We know from your husband and Mr. Dobzinski that the five per cent equity component of the retainer was changed some time between September 1985 and the end of January. The evidence gets not muddy but it gets a little difficult. Were you aware during the period September to the end of January that your husband was discussing with Dobzinski a change to his retainer in any form?

Ms. Caplan: No; only in the context of the fact that he was seeking advice from Blenus Wright on how to conduct his affairs and that he was doing so. I knew no details.

Mr. Bell: We know, I believe, some time in November, and it lasted for about a month, that the five per cent equity went to eight per cent of the financing raised. That was a change to your husband's retainer for that period. Were you aware of that during the relevant period?

Ms. Caplan: No.

Mr. Bell: Is it your understanding, and was it your husband's understanding, that in respect of these changes to the retainer, Blenus Wright was available to give advice as to whether any of the changes complied?

Ms. Caplan: I think he knew that and, in fact, has since. I have learned that he contacted him by telephone--I think they had a couple of meetings--and by letter on numerous occasions whenever he felt that he needed advice.

Mr. Bell: Is it your understanding that on some of those occasions they discussed the specific circumstances of his retainer with Wyda?

Ms. Caplan: I have no knowledge of what he discussed with Blenus Wright at all.

Mr. Bell: Would you turn to part I of the material, please. I do not know whether your pages are numbered in that one, but, in any event, would you turn to--in my material it is the fifth document; it is the January 31 letter between Damaza and Wyda. Do you have that?

Ms. Caplan: Yes, I do.



Mr. Bell: When was the first time you were aware of the contents of that document?

Ms. Caplan: Some time in February or March, I would say.

Mr. Bell: Of this year?

Ms. Caplan: Of 1986.

Mr. Bell: What were the circumstances of that?

10:20 a.m.

Ms. Caplan: I am having trouble recalling exactly what it was. I think Wilf told me that they had a contract that was written. My husband's father passed away on February 1, which kind of interfered with--it was a major family matter.

At some point after that--I am not sure when he told me specifically about this; it would be some time in that February-March period--I think I asked him just to send a copy to the office for the file, so I was aware of the letter at that time. I do not think I actually read the contract at that time. If I did, my interest was--

Mr. Bell: The bottom paragraph.

Ms. Caplan: --the bottom paragraph. That was my interest. I did review it at some point in the future, and there was something that triggered a cause for me to say, "Let me have a look at the contract."

A friend of ours was here from Saskatchewan some time in May, I believe. He is in the venture capital business in Saskatchewan. He was here, and he told me he had a concern. He had been talking to some people at the IDEA Corp., and he was aware that Wilf was acting for a company. He did not go into it. I stopped him and said: "Do not worry. There is no benefit. It fully complies with the guidelines. We have been supercautious." I went back at that point. It could have been that, or it could have been something else. There was sort of something nagging at me, but I do not recall.

Mr. Bell: Whenever you reviewed or were aware of the content of this letter, does that represent the first time you were aware the company was Wyda Systems?

Ms. Caplan: Yes. Until I saw this, I did not know the name of the company.

Mr. Bell: It might have been some time in February when you first reviewed this letter?

Ms. Caplan: I do not think it was February. I think it was some time after that. As I say, because of the events of February, I am not sure when that came into my office; it could have been late February or early March. I am not sure I reviewed it when it first came in. It went to my executive assistant. I am not sure when I first reviewed it.

Mr. Bell: We have referred to the last paragraph of this letter, and it has to do with exclusions for dealings with Ontario government ministries or agencies. What do you understand to be the significance of the term "after November 1, 1985, and prior to June 30, 1987"?

Ms. Caplan: As I understand it now, I think what it does is refer to the second round of financing and how long that might take. Other than that, the dates do not have any significance to me.

Mr. Bell: June 30, 1987, is not going to be the date of the next election or anything?

Ms. Caplan: Not that I know.

Mr. Bell: That was not a facetious question. I take it that it is your understanding that the bracketed period has nothing whatsoever to do with your relationship with the government and the cabinet that would remove the need to exclude--

Ms. Caplan: I would never have even considered that as being any reason for the date in the letter.

Mr. Bell: We are in the January 31 retainer period, and you have told us as best you can when you first became aware of that. Would you turn to page 13 of this material, specifically your husband's letter to Wyda of April 14, 1986. Do you have that?

Mr. Bell: When did you first become aware of the content of that letter?

Ms. Caplan: I believe it was late in the evening of June 10.

Mr. Bell: Of this year; is that correct?

Ms. Caplan: Yes.

Mr. Bell: We know from your husband's testimony and Mr. Dobzinski's testimony that there was a discussion between the two of them on April 12, wherein your husband informed Dobzinski for the first time that he was going to leave Wyda and devote his full time to his business interests. Did he have any discussions with you on that matter on or before his meeting with Dobzinski?

Ms. Caplan: I would like to answer it in this way if I may; it is a little longer answer, but I think it does put it in the proper context. I believe it was June 10 that the first question was raised in the House. My husband was in Vancouver. As we came out of the House, I said to the Premier four things: "(1) That is my husband they are talking about; (2) There was no influence; (3) He did not benefit from this; (4) He is no longer there."

I then tried through the day--I left numerous messages at the hotel in Vancouver. He called me back late in the evening, and I said to him: "A question has been raised in the House. I told the Premier: (1) There has been no influence--I did not tell him that I told the Premier it was you--(2) There has been no benefit; I have seen your contract, and (3) You are no longer there."

He said, "You are right on two out of three," and I asked, "What do you mean?" He said--

Mr. Bell: You were kinder to him than my wife would have been to me.

Ms. Caplan: Actually, I think I was in a state of shock, both from

the start of the question and through trying to get hold of him. When he told me at that time that he was still there, I was shocked. I asked: "How come you are still there? I thought you were with Taurus." He then related to me that his client had prevailed upon him not to leave him in the lurch through a transition period, but he did not give me all the details.

Mr. Bell: You had better clarify "transition period." We do not want to get that confused with the other one.

Ms. Caplan: Okay. Actually, as I recall on that evening, what he said to me was, "I am leaving the company June 16." That was really the information he gave to me. A lot of the other stuff came after he came home. This was a conversation which was, "I am leaving as of June 16." I asked him, "What is your arrangement?" because my political antennas went up immediately. He said: "Do not worry; my rates have not changed. It is \$8,000 a month for the couple of months," and my antennas went down immediately because I recalled the year before--in fact, I would say to you I breathed a sigh of relief because I remembered our conversation in the Far East, I knew his rates had not changed and there should not be any problem.

Mr. Bell: But when you had that discussion with him and he told you about the amount, did you not think of the January 31 letter and the reference to the \$2,000 in that letter?

Ms. Caplan: No, I did not. What I thought of was our discussion of the year before, and my focus--let me tell you what my alarm was. My alarm was that I had told the Premier he was not there, and in fact he was there until June 16. Now I had to go back and tell the Premier he was there until June 16. I was not happy.

Mr. Bell: Just to follow up on that, did you go back and tell the Premier that?

Ms. Caplan: Actually, what happened was I spoke to two members of my staff and asked them--

Mr. Bell: Who?

Ms. Caplan: My executive assistant and my senior policy adviser.

Mr. Bell: Who were they?

10:30 a.m.

Ms. Caplan: John Webster and Beth Gulyas. I gave them the information I got on the telephone from my husband that evening, which included the fact that his rate had not changed, that he was there until June 16. I asked him to relay that information to the staff of the Premier's office so they would have that while they were preparing whatever statements they were doing.

Mr. Bell: Do you understand that information was relayed?

Ms. Caplan: To the best of my knowledge.

Mr. Bell: Do you know by whom? We have heard from Mr. Carman and others that there were discussions with Mr. Webster on June 10 and June 11. Is that the person who gave the information?



Ms. Caplan: When we discussed this before, Mr. Bell, you asked me this question, and I checked it out. What I have found out and would like to share with this committee is that I believe a miscommunication happened at that time. The information the Premier's office received through, I believe, the principal secretary saw the focus of June 16. At that time, they had his contract. The allegations in the House and the focus of his statement was influence. While I believe they had all that information, I am not sure it was understood. It was like a broken telephone. I regret I did not go in person and give that specific information.

Mr. Bell: Are you able to confirm, though, that the persons in the Premier's office with whom your staff spoke did not receive the specific amounts of your husband's retainer in existence at that time?

Ms. Caplan: The answer to that question is that I was not there and I do not know exactly what was said.

Mr. Bell: Have you made inquiries subsequently and determined whether the Premier's office was told about the \$8,000 in that amount?

Ms. Caplan: The inquiries I have made have led to my dissatisfaction with what was given and what was received.

Mr. Bell: A couple of questions back, you referred to the Premier's office as having the contract. Are you referring to the January 31 letter?

Ms. Caplan: Yes. At the same time--I believe it may even have been the day before, but I am not sure of the timing--once the question was raised in the House, we had the copy of that January 31 contract, and we sent that over to the Premier's office immediately; so you know we did that.

That was a Wednesday, and there was cabinet that day. I came out of cabinet and spoke for no more than three or four minutes with the principal secretary to the Premier, at which time he reviewed with me the findings of the investigation. I did not have any information to give them, except for this telephone call.

He told me they had checked with IDEA Corp. and there was no influence, and they had checked with Blenus Wright and there was no breach of the guidelines. I believe I recall he told me they had checked with the business and corporations branch because there was some question about whether my husband was an officer of the company and, in fact, he was not an officer of the company. They had checked his contract and were satisfied there was no benefit. He also mentioned the fact that they knew he was leaving on June 16.

I went back to cabinet with the knowledge that a statement was being prepared with those facts in mind.

Mr. Bell: I want to take you back to June 10 again and to what you indicated to the Premier when you got out of the House. You told him four things. First, you said they were referring to your husband. You do not have to tell me the source of that information. Second, you said there was no benefit. What source of information permitted you to make that conclusion?

Ms. Caplan: By that time, I had seen the contract with the exclusion of anything that had to do with the Ontario government.

Mr. Bell: Was that the basis of your conclusion that there was no benefit?

Ms. Caplan: That is correct.

Mr. Bell: Third, you said there was no influence.

Ms. Caplan: That is right.

Mr. Bell: What was the basis of your conclusion in that regard?

Ms. Caplan: I had no contact with anyone about anything to do with approval of any applications. In fact, I had no contact with the IDEA Corp. at all.

Mr. Bell: So influence was personal to you.

Ms. Caplan: Yes.

Mr. Bell: Fourth, you said he was no longer there. What was the basis of your information in that regard?

Ms. Caplan: He had told me. In fact, the letter I signed stated that he was starting Taurus. I knew he was starting Taurus.

Mr. Bell: The filings we saw earlier with Wright?

Ms. Caplan: It was the filings, but also our conversation that he was starting Taurus and that they had found space. It was just a general kind of, "I have started Taurus."

Mr. Bell: When did you first see the April 14 letter or were aware of its contents?

Ms. Caplan: In the past couple of weeks.

Mr. Bell: We heard as well from your husband that some time between April and June 10, there were further discussions between him and Mr. Dobzinski wherein--and I will not say the evidence indicates they agreed; they certainly discussed a retainer of \$150 per hour after June 17 for your husband vis-à-vis Damaza. Were you aware of that?

Ms. Caplan: Not until I read the Sun article.

Mr. Bell: What article is that?

Ms. Caplan: The article in the Toronto Sun on Friday, June 13.

Mr. Bell: I would like to shift gears a bit and talk now about the nature and extent of your knowledge of your husband's efforts on Wyda's behalf with respect to the IDEA financing.

Ms. Caplan: I have no knowledge.

Mr. Bell: In fairness to you, for the record, I would like to deal with it.

At any time between May 2, 1985, and June 10, 1986, did you have any discussions with Mr. Dobzinski respecting Wyda's efforts to obtain financing from IDEA?

Ms. Caplan: No, I did not.

Mr. Bell: Did you have any discussions with anybody else at Wyda?

Ms. Caplan: No, I did not.

Mr. Bell: Did you have any discussions with anybody at IDEA Corp.?

Ms. Caplan: No, I did not.

Mr. Bell: Did you have any discussions with anybody else in cabinet?

Ms. Caplan: No, I did not.

Mr. Bell: Or anybody in or connected with the government?

Ms. Caplan: No, I did not.

Mr. Bell: When did you first become aware that in late June or early July your husband recommended Ivan Fleischmann and his company to Mr. Dobzinski?

Ms. Caplan: When it was disclosed as evidence here or just before from Wyda.

Mr. Bell: I take it that prior to that time, which was about a week and a half ago, you had no discussions with your husband or anybody else in that regard.

Ms. Caplan: None.

Mr. Bell: When were you first aware that your husband was designated and represented as vice-president, finance and administration, of Wyda?

Ms. Caplan: When the Premier's office told me during its investigation. Wilf may have mentioned that to me on the phone the evening of June 10; I am not sure. I do not recall. We spoke for about 10 minutes. It could be that there was some mention of that before I spoke to him from the Premier's office. I am not sure.

Mr. Bell: We know and will know from evidence that Wyda was first introduced to IDEA in late July or early August 1985, the first time that IDEA became aware that Wyda was seeking financing exclusively for its own needs. Are you with me?

Ms. Caplan: Yes.

Mr. Bell: When did you first become aware of that introduction?

10:40 a.m.

Ms. Caplan: It is hard to pin down the time, because at some point--and I am not sure when it was; I would guess possibly late August or September, in the context of Wilf saying to me: "Avi is going to IDEA. I have checked with Blenus. I am complying with the guidelines." But it never really even--it was not in the form of--I did not ask any questions about it. Again, in hindsight, I wish I had. It was only in the context of the mention and the fact that he was specifically excluded from any benefit if they went--if



anything, probably what registered to me was that it was not in my husband's interest for them to be successful.

Mr. Bell: Did your husband, at that time or at any other time, describe to you the extent of his involvement in respect of Wyda's efforts?

Ms. Caplan: No.

Mr. Bell: I think you have already answered the next question, but I will ask it on the record and get your answer. We know from your husband and Dobzinski and others that some time in January your husband made a decision that he had to become directly involved with the IDEA people in terms of discussions or in-person meetings. He gave the committee the reasons he felt that was necessary: i.e., in the best interest of his client. When did you first become aware that he had made a decision and, in fact, did subsequently meet directly with them?

Ms. Caplan: Not until a couple of weeks ago.

Mr. Bell: We know from evidence that the decision by the IDEA staff to recommend the \$3-million investment in Wyda was confirmed on February 12, 1986. That is the date of the venture summary memorandum that was ultimately considered by the IDEA board of directors on March 6. That document embodies the decision made by staff. When were you first aware of that decision?

Ms. Caplan: Again, I was never aware of the details. I can recall Wilf saying some time in April, "Avi was successful and I am going to Taurus"--that kind of thing. It was not anything that I was really made aware of except in passing.

Mr. Bell: We know the board of directors approved the \$3 million at their meeting on March 6. When were you first aware of that fact? At the same time?

Ms. Caplan: We never talked about it.

Ms. Bell: We know now from evidence that in respect of the IDEA financing, Mr. Fleischmann's company was paid the sum of \$30,000, and your husband has described that as a commission in respect of that financing. When were you first aware of that?

Ms. Caplan: I think it was when I read it in the newspaper, but it could have been that somebody told me just prior to the testimony, when it was made available as evidence for this committee.

Mr. Bell: Could you turn to tab P in the material? Do you have that, Mrs. Caplan?

Ms. Caplan: Yes, I am getting there.

Mr. Bell: This is material we obtained from Mr. Kruger and certain of his files and in respect of which he testified. The first tab contains the IDEA board of directors' minute of February 19, wherein Mr. Kruger communicates to IDEA's board and its staff the cabinet decision taken earlier that day to wind down IDEA by June 30 of this year. Prior to this meeting between Kruger and the directors, were you aware the meeting was going to take place?

Ms. Caplan: No--oh, let me say that cabinet had a briefing. While I cannot tell you what cabinet did discuss, I am happy to tell you the things that cabinet did not discuss. How is that?

Mr. Bell: Okay.

Ms. Caplan: Okay. At no time, did cabinet ever discuss anything other than orderly transition. We never discussed the portfolio or the applications specific to, or anything that had to do with, the IDEA Corp. I think Mr. Kruger's testimony is very accurate as far as the general information that is there.

Mr. Bell: Up to June 16 of this year, did cabinet ever discuss in a specific way Wyda's efforts or IDEA's decision to invest in Wyda?

Ms. Caplan: Never. Further, let me add, cabinet never discussed any application that was before the IDEA board. It was a crown corporation, a schedule 2 agency, and that status did not change until June 30.

Mr. Bell: Would you turn to the second tab, please. This is Mr. Kruger's copy of the IDEA directors' March 6 minute. The handwriting on the first page--

Ms. Caplan: I have lost you. Where are you?

Mr. Bell: Tab 2 of P2. Sorry.

Ms. Caplan: Got it.

Mr. Bell: This is Kruger's copy of the March 6 minute. The handwriting on the first page is Mr. Kruger's notes taken by him of discussions he had with certain people on the dates indicated. If I recall correctly, his testimony is that Michael St. Amant, who I believe is an assistant of his in his office, was present at the IDEA March 6 meeting, wherein Wyda and your husband's association with Wyda and his association with you was raised, and he communicated that to Mr. Kruger and as a result he had these discussions and made these notes.

Did Mr. Kruger have any discussions with you, on or about this period, in respect of any matter in the board of directors' minute?

Ms. Caplan: I do not recall any discussion about anything in that minute.

Mr. Bell: We know on April 7 he had a discussion with your Mr. Webster--this is at the bottom of this first page--and he made the notation "No conflict. AG clear." Did you have any discussions with Mr. Webster concerning this discussion with Kruger?

Ms. Caplan: I really cannot recall. I would assume that--actually, give me a minute and let me think about it.

He probably mentioned it to me, and that may have been the occasion where I reviewed the contract. The timing would be right. As I say, it would seem to me that it could have been Mr. Kruger's comment to my executive assistant that made me sit down and look at that letter of January 31. In fact, my recollection is getting clearer, and I think in fact that is accurate.



Mr. Bell: Would it be close to April 7 then?

Ms. Caplan: The timing sounds about right. I could not be specific as to the dates.

10:50 a.m.

Mr. Bell: Do you recall any specifics of your discussions with Mr. Webster in that regard?

Ms. Caplan: No; only that I reviewed at that time the contract thoroughly--well, as I say, the clause, I read it. The clause that popped out was the exclusion clause, and it gave me comfort.

Mr. Bell: Did you have any discussions between March 6 and June 10 with anyone else respecting the content of this minute or the matters set forth in Mr. Kruger's handwritten notes?

Ms. Caplan: I do not think so.

Mr. Bell: Did you know whether it was a part of Mr. Kruger's responsibility to be alert to conflict issues in respect of crown corporations?

Ms. Caplan: I do not think it was a part of his responsibility, but as a senior bureaucrat, I would assume that if there was any concerns that he would have an obligation to raise them as a proper civil servant should.

Mr. Bell: I would next like to discuss with you your role vis-à-vis the Management Board and, specifically, vis-à-vis the IDEA Corp. Between June 26, 1985, and June 16, 1986, did Management Board ever consider any matter concerning IDEA's investment in Wyda?

Ms. Caplan: No, nor did Management Board consider any applications that were before the IDEA Corp., because it would not; it was a crown corporation schedule 2 agency. It was my understanding that there was not even a memorandum of understanding between Management Board and the IDEA Corp., which was one of the concerns about that and other agencies. This committee may be aware of that, or should be aware of the Gracey report on the agencies, boards and commissions and the fact that I had accountability concerns about other agencies, boards and commissions and was taking action. In fact, I threatened one agency with a rescheduling if it did not enter into a memorandum of understanding. It did; so that was the end of it.

Mr. Bell: I am dying to ask who, but I will not. You would not tell me.

Ms. Caplan: It is not the IDEA Corp. For that one, the decision was to wind it up and begin--

The other answer to your question--do you want to ask the next question?

Mr. Bell: Not until you give me the other answer.

Ms. Caplan: On June 15, because you asked up until June 16, I was still Chairman of Management Board. I normally received my briefing on the Monday before the Management Board meeting on Tuesday. I received the full briefing of what was going to be on the agenda for the June 16 meeting. I actually made a comment at the meeting about the timing, "This is great."



However, while I cannot give you the specific decisions, I would like you to know what was before Management Board.

There was the administrative transfer of the IDEA investment fund to the Ontario Development Corp. for the purposes of innovation. There was a return of the money that IDEA had remaining to the consolidated revenue fund. There were issues dealing with its movable assets, leased accommodation and one global amount that dealt not specifically, but with the requirement for money that it had available for severance packages for some of its employees. That was the sum total of the briefing I received on June 15 and what I believe was on the agenda for June 16, the meeting I did not attend. All of that would be administrative.

While I noted that the timing was wonderful in the most sarcastic sense of the term "wonderful," there was nothing there. I read Mr. Kruger's transcript. That is the only place that I would take issue with him, because there was nothing in there that would have presented me with any discomfort regarding conflict guidelines, even if I had the knowledge that my husband had anything whatever to do with a company that was involved, because there was nothing specific to the applications, nothing specific to the portfolio that was within my control or decision. It was administrative. I wanted to explain that to the committee.

Mr. Bell: All right. You answered the next question I was going to ask. Can we just complete that directive? I take it that between February 19, the cabinet decision to wind down, and the June 16 meeting you were briefed for but did not participate in, there were no other IDEA matters that came before Management Board.

Ms. Caplan: Not that I can recall.

Mr. Bell: I would like to spend a few minutes on Mr. Fleischmann and his company, Canadian InterCorp. First of all, dealing with the company, when were you first aware that Mr. Fleischmann was involved in a company by the name of Canadian InterCorp?

Ms. Caplan: After the election of May 2. Some time early in June he contacted me and invited me to lunch.

Mr. Bell: Did he then describe his company and its business activities to you?

Ms. Caplan: Not really.

Mr. Bell: How did you acquire a knowledge of his company and what it did?

Ms. Caplan: I really do not have a knowledge or understanding of his company and what it did in any kind of formal sense except my knowledge very generally in what I read in the newspapers.

Mr. Bell: All right. When your husband testified in the committee, he indicated he had known Mr. Fleischmann for a number of years before May 1985. Can you describe from your perspective what that association was?

Ms. Caplan: I believe they went to university together. We were married in 1963 and we went looking for an apartment. We happened to live across the road for a year. At a further point, we had a cottage with our kids

on Lake Erie, at Turkey Point. They had a cottage in the same complex. It was social. I would categorize it that he had a personal relationship with my husband.

Mr. Bell: I would like to spend some time on any occasions between May 2, 1985, and June 1986 when you might have had discussions with Mr. Fleischmann. I know there was a luncheon meeting between you and him on May 9, 1985.

Ms. Caplan: That is probably the one I was referring to.

Mr. Bell: Is that the one you just described?

Ms. Caplan: Yes.

Mr. Bell: I understand there was a further meeting on June 6, 1985, with Mr. Fleischmann, yourself and a Janice Rubin. Can you confirm that? Can you tell us if that related in any way to either Wyda or IDEA?

Ms. Caplan: Let me say categorically that I never had any discussions with him about anything that had to do with Wyda, IDEA or my husband, or their business relationship, of which I was completely unaware. The nature of his original call to me was in the form of congratulations. He said, "I have had experience in Ottawa, and if I can be of any assistance as an old friend," as I say, as an old friend of my husband.

Mr. Bell: From that point forward, did he provide any assistance to you in any way?

11 a.m.

Ms. Caplan: Assistance? After I became a cabinet minister--most of our staff was new and inexperienced--he called my office. He spoke to my--he was not an executive assistant at the time; he was actually a special assistant who wanted to become an executive assistant and actually left in November. I put him in touch with Ivan on the basis that he had experience as an executive assistant. I said, "If you want to know what they do, you might want to talk to him." It was that kind of thing--talk to him on that basis.

I also put this person in touch with someone else for the same reason, and that person was an executive assistant to a Tory cabinet minister who is now a civil servant who, I was told, was one of the best executive assistants. Since I wanted anyone who was going to work for me to get the very best possible advice, I called that civil servant and said, "I am not calling you for political purposes; I am calling to ask if you would be willing to meet with the person working in my office to describe to him the duties and responsibilities of an executive assistant."

Mr. Bell: I cannot resist asking who that was.

Ms. Caplan: I hope he does not mind my mentioning his name. If you insist, I will tell you. It was Mark Conacher, who was executive assistant to Roy McMurtry.

Mr. Bell: Did Mr. Fleischmann or his company assist you in any other way after May 1985?

Ms. Caplan: Assist me personally?



Mr. Bell: Directly or indirectly.

Ms. Caplan: He offered his assistance to my riding association, and I referred him to my riding association.

Mr. Bell: Did he provide assistance in that regard?

Ms. Caplan: I have inquired about that since this came to my knowledge. I found out that he provided some limited, minimal assistance. I think perhaps it is important for me at this time also to tell you the directions I gave, not only to my staff but also to my riding association.

It has been my practice all through my municipal life, where there were no election expenses guidelines in fact enacted, to be particularly circumspect in how much assistance I ever received from anyone. In fact, the direction to my staff was that anyone who wanted access to my office should be told that it was there and available on a fair and impartial basis and that that was the policy of our government. But I felt that perhaps there might be expectations because of personal relationships, that people had special relationships, and I made it clear to my staff that they were to be very circumspect and sensitive to that because I did not want that in either perception or reality. I said the same thing to my riding association, about not letting anyone help too much because I did not want to be seen to be beholden to anyone, as I had not through my entire municipal career.

Mr. Bell: I understand that some members of your staff, including Mr. Webster, during this relevant period had meetings with Mr. Fleischmann. Did those meetings, to the extent you are aware, have anything to do with Wyda and the IDEA Corp.?

Ms. Caplan: I have asked that question and I have been told they did not. Let me just go a step further and only say that I believe there were attempts by a lot of people to contact my office, and I am not aware of my staff at any time giving what I would consider preferential treatment to anyone.

You might be interested in one aside which I think underscores this point I am making. We were contacted by all kinds of lobbyists and interest groups, as would be natural and normal. I sometimes had people tell me that their clients were interested in access. I said, "Tell them all they have to do is pick up that nice phone book with my picture on it and they can have all the access they want." They said, "It is not in our interest to tell our clients that." I told anybody that.

I was invited to lunch by J. J. Barnicke, who was very concerned that because of his connections with the previous government and my role as Minister of Government Services, he would be precluded from doing business or be, in his term, "shut out." I had lunch with him in a very public place. I remember it because I do not often go there for lunch. It was Winston's. He expressed his concern to me. I asked him a question: "J. J.--if you do not mind me calling you J. J.--would you settle for 'fair' as opposed to 'preferential'? It is the policy of this government to be fair and open to everyone." He said, "That is great with me."

Mr. Bell: I would like to ask you about some specific dates. Mr. Fleischmann has noted there were occasions when he met with you or breakfasted or lunched with you and I would like your comment. I understand that on June 25, 1986, Mr. Fleischmann attended a breakfast that you attended. At that



breakfast, were there any discussions with respect to Wyda, IDEA or anything that this committee has been considering?

Ms. Caplan: On June 25?

Mr. Bell: Of this year.

Ms. Caplan: The best answer to that is since June 16 everyone who has seen me has wanted to discuss this matter.

Mr. Bell: Including me.

Ms. Caplan: That is the answer.

Mr. Bell: I understand there was another breakfast on May 7, 1986.

Ms. Caplan: My riding association arranged four breakfasts over the past year; two were held in the fall and two were held in the spring.

Mr. Bell: I understand Mr. Fleischmann attended three, if not four, of those.

Ms. Caplan: My recollection is perhaps two.

Mr. Bell: At either or any of those, did you and he discuss IDEA and Wyda?

Ms. Caplan: Never. My recollection is that he attended the first one and the last one, the last one being June 25, and that we had no discussion whatever about any of this except a lot of good wishes from people at that time.

Mr. Bell: Did you have, prior to June 10, 1986, any discussions with any representatives of the Ministry of Industry, Trade and Technology respecting IDEA and Wyda?

Ms. Caplan: No.

Mr. Bell: Briefly, for another five minutes; your statement, if I may call it such, in the House on June 12 was, I believe, the first occasion you rose in the House to speak to the matter.

Ms. Caplan: Let me categorize. That was not really a statement.

Mr. Bell: I know; that is why I hesitated. We learned from the Premier how it came about, and it was your giving of information on the subject at the first opportunity for you.

Ms. Caplan: I came into the House prepared to answer questions. My expectation was that the questions would be directed to me.

Mr. Bell: Can we take it that the source of the information you shared with the House that day was the contract you had reviewed, the January 31 document, and the discussions you had up to that point with your husband respecting the terms of his association and his retainer?

Ms. Caplan: Yes.

Mr. Bell: The next and formal statement made by you was June 16, and the committee members have that at tab F. I do not propose to deal with it in detail, but you gave certain additional facts and clarified certain other facts. What was the source of the additional information you gave to the House on that occasion as compared to June 12?

Ms. Caplan: My husband.

Mr. Bell: Is that the only source of the additional information? After June 12, you met on June 13 with the Premier and your husband; is that correct?

Ms. Caplan: That is correct.

Mr. Bell: Who else attended that meeting in whole or in part?

11:10 a.m.

Ms. Caplan: I have read my husband's testimony, and I think he described it quite accurately. It was a meeting of the Premier, my husband and I, with sort of other players coming in to give information and leave. Hershell Ezrin was there for part of the time. Bob Carman was there specifically to deliver the information that they sought from the Attorney General's office in light of the Toronto Sun article. I think Gordon Ashworth may have been there for part of the time. Just before we left, one of his press secretaries came in to tell us the press was outside.

Mr. Bell: Tell us what happened at that meeting.

Ms. Caplan: We reviewed the facts. Do you want me to go over the facts we reviewed?

Mr. Bell: No. Just confirm. The facts you went over, are they the facts you had available to you on that date?

Ms. Caplan: Actually, what we did was we reviewed the facts and we reviewed the contents of the article that was in the newspaper.

Mr. Bell: That morning.

Ms. Caplan: That morning.

Mr. Bell: Which discussed the \$8,000 fee. Could you tell us specifically what was discussed in regard to the \$8,000 fee?

Ms. Caplan: Wilf explained to the Premier and answered any questions that he had. The Premier told him he was not aware of that, and Wilf explained it to him. The Premier understood. We went over again: no influence, no benefit, no conflict, reasonable market rates, good business practice and professional obligation. I am not sure if that was mentioned, but Wilf did say he felt he had a professional obligation to his client.

Mr. Bell: What, if any, was the Premier's response to the information you gave him at that meeting?

Ms. Caplan: Again, I have read the Premier's testimony, and I think he accurately described that it was not a happy meeting.

Mr. Bell: Tell us about the discussion wherein the Premier advised your husband to terminate his association with Wyda.

Ms. Caplan: I think it was towards the end of the meeting when he actually said to him, "I would advise you strongly to end this now, get out of"--I forget what the actual term was, but it was clear just to say, "What do you need this aggravation for?"

Mr. Bell: Did he give any reasons for his advice in that regard?

Ms. Caplan: His advice was more intuitive. We knew what he meant. The newspaper article had created what I believed was a misperception, and the Premier meant: "It just looks bad. I know there is nothing wrong."

Mr. Bell: Did you indicate to the Premier during that meeting that you intended to resign your cabinet position?

Ms. Caplan: I offered the Premier my resignation.

Mr. Bell: Did he accept it at that meeting?

Ms. Caplan: No, he did not.

Mr. Bell: Did you indicate to the Premier that you intended to resign in any event?

Ms. Caplan: No, I did not.

Mr. Bell: When did you make the decision to resign?

Ms. Caplan: I actually made the decision when both the opposition parties asked for my resignation. However, when I left the Premier's office, and over the course of the weekend, I prepared my children and myself for that resignation. If my statement was not accepted in the House, I knew over that weekend that I would resign. I did not prepare my husband.

Mr. Bell: To your knowledge, when you rose in the House on June 16 and gave your resignation, did the Premier have any advance--

Ms. Caplan: I had not discussed it with the Premier.

Mr. Bell: But you discussed it with your husband?

Ms. Caplan: I left the House, and I phoned my husband and told him what I was going to do.

Mr. Bell: On June 13, after your meeting with the Premier, what did you and your husband then do after that meeting? I do not mean in a personal sense. Did you go back to your office to do anything in respect of these issues?

Ms. Caplan: Actually, I think we went back to the office for a short period of time.

Mr. Bell: It has been a long morning.

Do you recall any telephone call made by your husband in your office to Mr. Dobzinski?



Ms. Caplan: I have no recollection of that.

Mr. Bell: Did Mr. Carman say anything at that meeting or contribute at all to the meeting with the Premier?

Ms. Caplan: He was the one who reported that, notwithstanding the information in the Sun article, the advice from the Ministry of the Attorney General was that there had been no breach of the conflict-of-interest guidelines.

Mr. Bell: You have read the Premier's testimony?

Ms. Caplan: Yes, I have.

Mr. Bell: The Premier has offered to this committee his opinion of the current guidelines. Do you share that opinion?

Ms. Caplan: I hope Mr. Aird will ask me that question as well. I feel I am somewhat of an expert.

Mr. Bell: If Mr. Aird does not, I expect this committee will offer the transcript of this proceeding to him. To that end, do you share the Premier's conclusion about the current guidelines?

Ms. Caplan: I share the Premier's view.

Mr. Bell: Why?

Ms. Caplan: Because we are here.

Mr. Bell: I have no further questions, Mr. Chairman.

Mr. Chairman: We will take a 10-minute break before we begin committee questioning.

The committee recessed at 11:16 a.m.

11:38 a.m.

Mr. Chairman: We will come to order and begin committee questioning with Mr. Philip.

Mr. Philip: After your first meeting with Mary Eberts, Ms. Caplan, you testified that Eberts had made the strong suggestion that there be a further meeting between herself, Blenus Wright, yourself and Wilf.

Ms. Caplan: No, that is not correct.

Mr. Philip: That is not correct? She did not suggest a further meeting between herself and the two of you?

Ms. Caplan: That is correct. She did not suggest that. She suggested a meeting between herself, Blenus Wright and my husband.

Mr. Philip: You said that at the meeting you had with Eberts, she gave what would be "political caution advice" or words to that effect.

Ms. Caplan: Not at the meeting I had with her regarding the guidelines. I said that at the meeting where she appeared before caucus she

made this general observation. The meeting I had with her dealt specifically with what the guidelines were likely to be when they were finally produced.

Mr. Philip: In the last paragraph of those guidelines, would you not say that was a strong political caution?

Ms. Caplan: No. I would say if in doubt, get advice.

Mr. Philip: At no time did you follow that advice, did you?

Ms. Caplan: I was never in doubt that I had not complied with the guidelines, and therefore I never felt the need to seek advice.

Mr. Philip: Can you explain why you, as the politician, would not have discussed the political cautions that are contained both in Eberts's advice and in the conflict-of-interest guidelines set down by the Premier with Wilf?

Ms. Caplan: In order to do that you have to understand the nature of our relationship. I would be happy to go into that. I have read her testimony, and I believe the wording of her letter did not reflect the interpretation that was subsequently put to it, but the reason we would not discuss these things I would be very happy to tell you about--the nature of our relationship--if it would be helpful.

Mr. Philip: Maybe that will come out in answer to questions I have, but, of course, at any time if you feel that you want to elaborate--

Ms. Caplan: Perhaps the answer to your question is that on June 25, when my husband informed me that he would do whatever was necessary to allow me to serve and would comply, I believed he would because the basis of our relationship is one of confidence and I believe he did.

Mr. Philip: At the time you filed exhibit H, you said that you reviewed it alone. If, as a minister, you had a major, important document that a deputy minister or another public servant presented to you, would you not review that document with that person in person and at least discuss it with him to make sure you understood the full implications of whatever it was that you were going to put your name to or endorse or that you were going to voice as a ministerial statement or anything of importance like that? Would you--

Ms. Caplan: You are referring to tab H, the conflict-of-interest disclosure document?

Mr. Philip: Yes.

Ms. Caplan: The answer to the question is no.

Mr. Philip: If you had a major document to table in the House, you would not review the contents of that document with a senior civil servant if the document was under your name?

Ms. Caplan: As I understand the process, it was information that was compiled by a questionnaire, it was completed to my satisfaction that it was accurate and I felt no need to review that personally with Mr. Wright. It was done in writing.

Mr. Philip: I was not concerned about you reviewing it with Mr. Wright; I was concerned about you reviewing it with the person who would have



had the major input into the document you put your name on. Why would you not at least review it with Wilf? I would think that you, as a cabinet minister, would review a major document with a senior civil servant who had prepared some information for your signature. Here is someone, namely, your husband, who had prepared a document for your signature, and you are telling us you did not review it with him.

Ms. Caplan: I had every confidence that he provided accurate information. I reviewed it after the information was brought together. I knew he would do it. He told me he would. I had no reason to doubt him. In fact, it is accurate.

Mr. Philip: Regarding tab N-10A, as I understood your testimony you stated that you had not seen this document, that you directed your secretary to refer all correspondence on this to Wilf and that in regard to the section in this that says in the first paragraph, "as we have discussed," you had not discussed with Ms. Eberts? Is that correct?

Ms. Caplan: That is correct.

Mr. Philip: If the committee members are to weigh the evidence, I guess we have to weigh whether Eberts is right or whether you are correct. Do you agree that is part of our problem?

Ms. Caplan: Let me suggest that while the letter was addressed to me, it probably more accurately should have been addressed to my spouse, whom she met with and had these discussions with at a meeting I was not at. I think there was an assumption of awareness that was incorrect, and that is the fact.

Mr. Philip: Why should she direct it to your spouse when you are the one who is responsible?

Ms. Caplan: I did not say she should direct it to my spouse. I said the letter was addressed to me, but it related to a meeting she had with my spouse that I did not attend.

Mr. Philip: On September 17, the guidelines were finalized. You said this morning that you reviewed the guidelines but did not discuss them with Wilf. You concluded that they had been complied with. How could you conclude they were complied with if you did not discuss them with the person who was responsible for complying?

Ms. Caplan: The answer is that my husband told me he would seek advice and do whatever was required; he would seek advice and follow that advice. He sought advice from Mr. Wright. He assured me he was seeking that advice. I was totally confident that he would do what he told me he was going to do.

Mr. Philip: Were you confident that he had read the guidelines?

Ms. Caplan: Yes.

Mr. Philip: At no time did you say to him, "Are you sure you have read these guidelines, particularly the last paragraph, which may cause some problems, and you have complied with all parts of these guidelines?" At no time did you ever ask him that question.

Ms. Caplan: At no time did I ask him that question.



Mr. Philip: I wonder whether you will turn to tab M, which I am sure you are quite familiar with. It is the Manual of Administration, which you were responsible for supervising. Do you agree that there is a perception test in the Manual of Administration under conflict of interest?

Ms. Caplan: What page are you referring to? Starting on page 11?

Mr. Philip: Yes.

Ms. Caplan: The wording says, "This includes actual or perceived conflicts and those which have the potential to be actual or perceived," so the answer to your question is yes.

Mr. Philip: Do you agree that on page 3, item 5 refers to members of the immediate family?

Ms. Caplan: Page 3 and what item?

Mr. Philip: It is item 5 on page 3: "When members of an employee's immediate family receive personal benefit as a result of the position of an employee." The conflict may be not just the immediate conflict of the deputy minister or assistant deputy minister or other key civil servant; it also refers to his family.

Ms. Caplan: This refers to any civil servant.

11:50 a.m.

Mr. Philip: That is right. Do you agree that you were the minister who was in the process of reviewing this Manual of Administration and therefore, in the new cabinet, you would probably be the minister most aware of the whole concept of conflict of interest and the concept of perceived conflict of interest?

Ms. Caplan: No, I would not agree.

Mr. Philip: You would not agree.

If you were the one who made a statement in the House that you were reviewing this, surely you would be the minister who would have been the most aware of this and who would have been studying it at that very moment.

Ms. Caplan: As you probably know, this was being conducted originally at a bureaucratic level under direction from the Office of the Premier. I had nothing to do with that at the point in time you are referring to.

Mr. Philip: However, you were the Chairman of Management Board, the review was being conducted by Management Board, and the buck stopped at your desk for the review of the Manual of Administration.

Ms. Caplan: There are two important points. One is that you are talking about the review that was undertaken regarding civil servants. I was not involved in that review. I never had a briefing on that review. I was aware that it was being undertaken at a bureaucratic level. I had nothing to do with it up until that point.

Second, the guidelines we are referring to here apply to civil servants; whereas, in my view, the guidelines for ministers and parliamentary assistants

have very different requirements and cannot be compared. For example, there is no disclosure requirement for civil servants. The arbiter is the deputy minister. There is a requirement of a civil servant to go to the deputy minister if he feels he may have. I believe the reason for the review of the guidelines for civil servants was that there was some sense that these guidelines should be updated.

Mr. Philip: With respect, you were the minister who announced the review in the House. Therefore, you were the minister who must have had some knowledge. You did not announce a review of the guidelines out of the blue or because some civil service group somewhere underneath you, without your knowledge, decided it would be a good idea. You were the one who ordered the review, were you not?

Ms. Caplan: No. The Premier's office ordered the review.

Mr. Philip: Of the Manual of Administration?

Ms. Caplan: Of the guidelines. The recommendation on the total Manual of Administration came out of the accountability study which was tabled in January 1985. The actual review of the conflict-of-interest guidelines, as they pertain to deputy ministers in particular, was authorized out of the Office of the Premier. I had no knowledge of that.

Mr. Philip: The line of command would have been from the Premier to the minister responsible, which would have been you, then down the line for the review, would it not?

Ms. Caplan: That did not happen.

Mr. Philip: Do you mean the Premier went around you and ordered the review of the Manual of Administration directly, particularly of the conflict-of-interest guidelines?

Ms. Caplan: I believe the Premier's office authorized the secretary to cabinet to undertake a review of the guidelines as they pertained to deputy ministers.

Mr. Philip: As the minister responsible for the Manual of Administration, you were in no way connected, your advice was not sought, nor were you involved in any way, with that review?

Ms. Caplan: I was aware that the Manual of Administration was under review. Certain portions of it, when it was ready for policy direction, were brought before me, but not the issue that you have addressed.

Mr. Philip: You have reviewed the Hansards? Would you agree there was very direct contact, one-to-one contact, face-to-face contact, between Wilf and the key decision-makers of IDEA Corp.?

Ms. Caplan: I am not sure how you would define key decision-makers but I know, from reading the transcripts, there was contact.

Mr. Philip: As the former Chairman of Management Board responsible for supervision of the Manual of Administration, would you agree that any public servant or his or her spouse who had that kind of direct contact would be in a position of a conflict of interest under the Manual of Administration?



Ms. Caplan: Not if there was no benefit.

Mr. Philip: I thought you said earlier the perceived conflict was part of the Manual of Administration--

Ms. Caplan: What I am saying is, you cannot compare the Manual of Administration as it applies to civil servants and the guidelines that are applicable to ministers and their spouses, because you are dealing with two different--

Mr. Philip: I am not asking you to compare at the moment. I am asking you simply to answer the question: Would there be a conflict of interest if a deputy minister and his or her spouse had the kind of direct contact with an organization such as the IDEA Corp. that Wilf had with the IDEA Corp.?

Ms. Caplan: In the context of a civil servant, I would say it would be the obligation of that civil servant to inform the deputy minister, and the deputy minister would then make that determination based on the information of, was there benefit; what was the interest of it? The question is not one I can give a yes or no answer to, because there is a whole lot of other information that would be required before the deputy minister could make that judgement for the civil servant.

Mr. Philip: Whom would the deputy minister then respond to or seek the advice of?

Ms. Caplan: It is my understanding the Manual of Administration allows that deputy minister to be responsible for the judgement.

Mr. Philip: If it were the deputy minister himself, whom would he seek the advice of?

Ms. Caplan: He would seek the advice of the secretary to cabinet, who is the senior bureaucrat, Mr. Carman.

Mr. Philip: Or his own minister.

Ms. Caplan: No. It is my understanding he would go to Mr. Carman.

Mr. Philip: I guess the bottom line for me is that throughout this testimony, your basic defence has been that you did not know. I would have to ask you, as a cabinet minister, if you had a deputy minister in a position where there was a conflict--an apparent conflict or a perceived conflict, whatever words you want to use--and his sole defence was that he did not know, would you hold that as an acceptable defence, or would you follow the Manual of Administration and remove him from the position?

Ms. Caplan: I think knowledge is critical.

Mr. Philip: So ignorance can be a justification for any sin, is what you are saying.

Ms. Caplan: No. I am saying that if you do not know, you cannot do anything about it.

Mr. Philip: But is it not your responsibility, as the minister, to find out, to ask the questions?



Ms. Caplan: I guess the question you are asking me is, within the relationship with my husband, should I have asked him on a regular basis, "What are you doing to comply with the guidelines?" or specific details of his business involvement and interests, to check up on him. That was not part of our relationship.

Mr. Philip: I am not asking whether you do it on a regular basis. I am asking whether you had the responsibility to do it at least once.

Ms. Caplan: When he told me that he would do everything necessary to comply, that he was seeking advice and that in fact he was doing that, I was satisfied that I did not have to check up on him, and he did comply.

Mr. Philip: But it was your head that was on the line; it was your job. You were the minister; he was not the minister. You had the responsibility in the same way that a deputy minister has the responsibility over the actions of his or her spouse.

Ms. Caplan: I guess the answer to that is, I did not ask my husband to comply. He voluntarily offered to comply. He told me he would do whatever was necessary to allow me to serve. I knew he would. That was the nature of our relationship. I would never have thought--it would have interfered with our personal relationship if he felt I did not trust him. I did trust him, and in fact he did follow the advice, and he did comply.

Mr. Philip: Surely there is a difference between mistrusting somebody and simply reviewing something you have responsibility for. If you question your deputy minister, surely it is not a matter of distrusting the deputy minister; it is simply a matter that the buck stops in your office and that you are responsible. Therefore, you have to understand what it is you are putting your name to and what it is you are taking responsibility for. That is not a matter of trust or distrust; it is simply a matter of doing what you have a responsibility for.

I would never consider it distrust if my boss or my party leader asked me questions about what I am doing in a portfolio. He has a right to know and a responsibility to know.

12 noon

Mr. Chairman: Mrs. Caplan, do you want to respond to that before we move on to the next questioner?

Ms. Caplan: Is there a question?

Mr. Chairman: There is no question. I am just asking, do you want to comment on that? No.

Mr. Pope: Mrs. Caplan, having been there before, I am having trouble understanding the rationale, not just of yourself but of the entire government. We have a Premier who last week testified that he did not know who Mr. Wright was. He did not want to involve himself personally in conflict-of-interest guidelines, and he wanted it off his back, off his shoulders; he wanted some other agency to take care of it. Now we have you today saying you were leaving it up to your husband, who offered to take care of the situation for you.

I cannot understand the rationale. When you were told by Mary Eberts how important it was for this government, a new government coming in, to deal with

conflict-of-interest issues, I cannot understand why the Premier backs away from it and why you did not personally involve yourself in the conflict-of-interest matter. I do not understand the rationale.

Ms. Caplan: Again, I think it leads to the relationship and to all the things my husband undertook on my behalf as of June 26. Let me say to you that from that date, he assumed total and complete responsibility for our household, communication with our children and looking after his ailing parents. The things I had done before, he did all of that for me. Because of his knowledge of our financial affairs and his understanding of the guidelines, it was perfectly natural for me to ask him to assume that responsibility for me. He did it, and he did it well. That is the answer to your question.

Mr. Pope: In your capacity over a number of years as an alderman in the city of North York, you had experience with conflict of interest on a municipal level that you have already referred to, and that issue would come up from time to time; so surely you cannot say you would not appreciate how important it could be on a provincial level, knowing how important it was from time to time in the city of North York on a municipal level. I know the tests are different, and you referred to the disclosure on the municipal level, but surely you appreciate the importance of it. You were an alderman for so many years.

Ms. Caplan: There is another very distinct difference, and I think it does apply and it is very relevant, and that is that at no time was this matter before me for any decision. At no time did I have any direct input into any of the decisions that were taken. It was not something my ministry had any responsibility for; it was a crown agency.

On a municipal council, the act comes into effect when you are about to make a decision in which you may have an interest. I never made a decision over which I had any interest.

Mr. Pope: As you yourself said, you have now become somewhat of an expert on conflict of interest, and you hope--and I hope as well--that Mr. Aird and others will seek your advice and counsel on it.

Maybe I can follow up on what Mr. Philip asked. I think it is pretty key to the considerations that I for one, and I guess other members of the committee, have to make. We have a spouse of a cabinet minister, who is being paid, he is in the room when the final meeting of the minds takes place for a \$3-million government investment. He is held out to be an officer of the company that is receiving the money. Do you not think that is a conflict?

Ms. Caplan: I think you have to look at what the facts are and separate the reality from the perception. Is that not right?

Mr. Pope: I have tried to give you an antiseptic version of those facts.

Ms. Caplan: I understand. Let me respond. He was not an officer. His position was made clear. He disclosed openly what his position was. There was no benefit. In fact, I understood there was an acknowledgement on closing to the fact that there was no benefit. As I said earlier, my interpretation was that it was in his interest for them not to have approved anything. He was acting as a professional. You heard his testimony. Never having been the spouse of a minister, I can only imagine the difficulties. I know it is not the intention to try to imagine what someone else was thinking.



Mr. Pope: When did you first know that Damaza Consultants was acting for Wyda Systems?

Ms. Caplan: When I read the contract.

Mr. Pope: In April?

Ms. Caplan: Some time in March or April. I would say April. That sounds about right.

Mr. Pope: You knew your husband had some sort of relationship with Avi Dobzinski. In fact, you went for a meal with them at Carman's, did you say?

Ms. Caplan: I think so.

Mr. Pope: Anyway, you went for a meal with them in July 1985?

Ms. Caplan: I think so.

Mr. Pope: To the best of your recollection, although you were not specific on a date, did Mr. Dobzinski tell you during the course of that meal what he was doing in Canada?

Ms. Caplan: No. There was no discussion of the nature of his business, as I recall.

Mr. Pope: What did you talk about?

Ms. Caplan: His family moving to Toronto. I was not even there very long. I was tired; it was the end of the day. I came at the end of their business, had a fast bite and went home.

Mr. Pope: Did your husband ever explain why he wanted you to come to dinner with Mr. Dobzinski?

Ms. Caplan: I was not seeing very much of my husband during that time.

Mr. Pope: I understand that entirely. Did you regularly keep Damaza Consultants letterhead in your office?

Ms. Caplan: No.

Mr. Pope: Did you regularly have your staff doing work on behalf of your husband?

Ms. Caplan: No.

Mr. Pope: What does your testimony mean about envelopes going back and forth, other than schedules? I understand the schedule business as well, but other than that.

Ms. Caplan: It related completely to the conflict-of-interest guidelines and the information that was being received in my office that he was then looking after for me at home and vice versa. It was for a specific and short period of time.

Mr. Pope: If you turn to tab 22 in the green binder, that is the date that the final investment for approval of Wyda Systems took place at IDEA



Corp. Of course, that was the add-on, I think. If you turn six pages in, to a column from the Toronto Sun dated June 11, I refer you 10 paragraphs down to the paragraph starting, "Later, Peterson said he had been told by Caplan--who corralled him in the hallway--that while her husband was a financial adviser to Wyda, he had occupied the position before the Grits came to power and stopped accepting remuneration when she entered cabinet." Is that statement correct? Did you say that to the Premier?

12:10 p.m.

Ms. Caplan: What I told him was that he had not benefited.

Mr. Pope: So either Mr. Goldstein is wrong in his reporting of what the Premier said or the Premier is wrong about what he thought you said.

Ms. Caplan: I think it is a question of semantics. It was passing in the hall. I think it is clear that the intention was that there was no benefit.

Mr. Pope: But he was accepting remuneration.

Ms. Caplan: Yes.

Mr. Pope: When did you first hear of Damaza Consultants Ltd.?

Ms. Caplan: In 1971.

Mr. Pope: Were you an officer and director then?

Ms. Caplan: Yes; I believe I was.

Mr. Pope: When did you sign your resignation as an officer and director?

Ms. Caplan: I do not recall.

Mr. Pope: Did you ever sign a resignation?

Ms. Caplan: I do not recall.

Mr. Pope: It is pretty important.

Ms. Caplan: I do not recall.

Mr. Pope: When did you sign your share certificate?

Ms. Caplan: I do not recall.

Mr. Pope: When did you sign the directors' resolution authorizing to transfer a share?

Ms. Caplan: I do not recall.

Mr. Pope: Can you explain why with something as critical as this, your actual participation as a shareholder, director and officer of a company that your husband had told government officials was involved with a client who would be seeking government financing, you did not take care of this stuff?

Ms. Caplan: I sold my share as of July 1.

Mr. Pope: As of?

Ms. Caplan: On July 1, I received a cheque and directed my lawyers, through my husband, to do everything that was required, and it was done.

Mr. Pope: Was it? You do not recall signing anything.

Ms. Caplan: I do not recall.

Mr. Pope: The minute book of the company could show that there was no resignation.

Ms. Caplan: I do not know.

Mr. Pope: Can you tell me why your lawyers, knowing how important this was, did not file a return with the companies branch of the Ministry of Consumer and Commercial Relations until 11 days after the application for government financing went in, on August 23?

Ms. Caplan: No.

Mr. Pope: Can you tell me why your lawyers put the date of your resignation as an officer and director not as July 1 but as June 24?

Ms. Caplan: No.

Mr. Pope: Did you ever have a discussion with your lawyers about getting yourself out of the company?

Ms. Caplan: No. But can I tell you the guidelines came into effect in September?

Mr. Pope: Yes. And until that time, you were under the old guidelines.

Ms. Caplan: No.

Mr. Pope: You were not under any guidelines?

Ms. Caplan: My impression was that we were acting on advice of what the guidelines were likely to be, that the guidelines came in during September, and that we had the time to comply from that point on. That was my impression.

Mr. Gillies: When were the old guidelines (inaudible)?

Mr. Pope: No, it does not--in fairness, you are giving your recollection, and we will leave it at that.

Ms. Caplan: I am giving my recollection.

Mr. Pope: I understand that. But you do appreciate how critically important it is, because your husband has testified--and you said you read the transcript--that he activated this company the day before the election.

Ms. Caplan: I thought the company was active from 1971. I never knew it was inactive.

Mr. Pope: But you have read your husband's testimony where he says he activated it and went after clients. You were told he was going to use Damaza Consultants Ltd. to get clients. You knew therefore--well, I guess you did not know.

Ms. Caplan: I did not know.

Mr. Pope: You did not know anything about it.

Ms. Caplan: I did not.

Mr. Pope: How could you have put yourself in that position?

Ms. Caplan: I wish I had known. I did not know.

Mr. Pope: If anyone from the IDEA Corp. had thought, as they should have, to do a corporate search on August 12, you were still on Damaza as an officer and director of the company.

Ms. Caplan: In my view, as of July 1, I was no longer connected with the company. That is when I gave the direction.

Mr. Pope: Indoor management rule; I know. I heard that testimony too.

Did you participate in any meetings after June 11 with anybody concerning what information or evidence you give to this committee?

Ms. Caplan: I met with Mr. Bell.

Mr. Pope: Anyone else?

Ms. Caplan: I met with Mr. Goudge, who I believe was retained by the Liberal caucus and by my husband's counsel, Mr. Gans.

Mr. Pope: Anyone else?

Ms. Caplan: Not in formal meetings. As I say, people did not want to talk to me about anything else.

Mr. Pope: Did you discuss any interpretations to be placed on any documents before the committee?

Ms. Caplan: No.

Mr. Pope: Did you discuss whether documents would be released to the committee?

Ms. Caplan: As you know, there was a discussion. Ms. Eberts raised the point, to my husband, actually, about privilege, which was dealt with at the very beginning, but it was in that context. So, no; there was only this morning, when you talked about the confidential piece of information that is before the committee, and if you feel it is required, I am happy to have that public.

As far as I am concerned, I am here to tell you everything you want to know. My husband may not agree.

Mr. Pope: Mr. Fleischmann: You knew him through the Liberal Party as well?



Ms. Caplan: I knew he was active in the Liberal Party and had worked in Ottawa.

Mr. Pope: You knew he was an executive assistant in Ottawa to a Liberal cabinet minister?

Ms. Caplan: Yes, I did.

Mr. Pope: Which cabinet minister?

Ms. Caplan: I think it was Roberts.

Mr. Pope: John Roberts. He has also been active in your party provincially, particularly in the past year and a half?

Ms. Caplan: I have no knowledge specifically of what his party involvement was. I know he was not involved with my riding association during the last election.

Mr. Pope: But he came to your riding association functions after the last election.

Ms. Caplan: After.

Mr. Pope: Right. He went to lunch with you.

Ms. Caplan: Yes, he did.

Mr. Pope: When you went to lunch with him, all you knew was that he was a former executive assistant to John Roberts?

Ms. Caplan: I knew that he was an old friend of my husband's and that we had known him for years. I also knew that if I were to classify him, while I could not give you details of the nature of his business, I guess I would call him a lobbyist.

Mr. Chairman: That is it, Mr. Pope; sorry.

Mr. Ward: I guess what I want to deal with first is conflict-of-interest guidelines and legislation that keep getting brought into this that do not necessarily specifically apply to cabinet ministers, and I am not referring again specifically to the September 17 guidelines.

In terms of the Manual of Administration, is it your impression that the Manual of Administration is intended for the civil service, or is it to apply to members of the assembly, members of cabinet and parliamentary assistants?

Ms. Caplan: Civil service.

Mr. Ward: Civil service only. Is it not fair to say that if, as some would have it, the Manual of Administration were to apply to members of the Legislative Assembly and members of the executive council, then spouses of members or cabinet members would be prohibited from engaging in full-time employment?

Ms. Caplan: I would agree.

Mr. Ward: From your experience with municipal conflict-of-interest guidelines, would you not agree that municipal conflict-of-interest guidelines

are fairly clear in that they relate to either a direct or indirect pecuniary interest and the obligation is only to disclose and absent yourself from participation in that matter?

Ms. Caplan: That is correct.

12:20 p.m.

Mr. Ward: If those guidelines were to apply to members of the assembly and members of cabinet, is it not fair to say that in the case of members of the assembly--and I will give you some examples--a doctor could not vote on Bill 94, a pharmacist could not have voted on Bills 54 and 55 and a member with an interest in an apartment building could not have voted on rent control legislation?

Ms. Caplan: That is correct. Under the municipal conflict-of-interest guidelines, you do have the opportunity to disclose your interest, vote anyway and let people take you to court if they think you had a conflict. That opportunity is available, and in fact I did that. When raffle applications came before the municipal council for organizations to which I belonged, in which I felt I had no direct or indirect pecuniary interest, I declared my membership in the organization and stated I felt I had no conflict and would vote anyway.

Mr. Ward: I am sure many of us here who have been involved municipally have gone through the same exercise many times. The only reason I raised it was my concern that we in this committee keep trying to apply other standards and guidelines to this situation when it is fairly clear what the guidelines are.

Much has been made of Mary Eberts's role in the administration of conflict-of-interest guidelines, particularly since the new government. What is your understanding of her role? What status did she have?

Ms. Caplan: My understanding is that she had a role in reviewing the guidelines and advising on some amendments to them. After that role was complete, she had no role whatever in advising ministers or their spouses following the change of government.

Mr. Ward: I want to tie it down more specifically. Maybe it is best to tie it into the whole concept of the transition team. What official capacity did the transition team have? What official capacity did Mary Eberts have?

Ms. Caplan: She was a volunteer on that team, reporting to the Premier in whatever capacity he had asked her to undertake. I am not aware what that specific relationship was.

Mr. Ward: Did you ever think that the voluntary participation of members of the transition team was to be a permanent substitute for the mechanisms in place for dealing with these things once the government was formed?

Ms. Caplan: No. By the very nature of the word "transition," it is clear that once the government was in place on June 26, the process that had been in place for many years, which was Mr. Wright, became the adviser.

Mr. Ward: Mary Eberts was not to be a substitute for the role of the Ministry of the Attorney General, particularly the assistant deputy minister

for civil law. She was not to be a substitute for his role in advising members of the executive council or parliamentary assistants on conflict-of-interest guidelines?

Ms. Caplan: It is my view that she was not.

Mr. Ward: You have stated in your testimony that your impression was that whenever you had any doubts, your quote was, "When in doubt, seek advice." Are you satisfied that whenever any doubt may have arisen in Wilf's mind or your own, advice was sought from the Attorney General's office?

Ms. Caplan: Absolutely. Whenever my husband had any question, he sought advice and he followed that advice.

Mr. Ward: Have you any idea on how many occasions that advice was sought?

Ms. Caplan: Only from what I have read in the testimony.

Mr. Ward: In reviewing the transcripts last night, Mr. Wright's testimony was that there were at least four occasions. Does that coincide with your recollection, or were you not involved directly in those?

Ms. Caplan: I was not involved directly but, from reading the transcripts, I understand there were at least two meetings, plus written communication, plus telephone calls.

Mr. Ward: Did you place much confidence in the fact that the information generated through those approaches to the Attorney General's office would be accurate and sufficient?

Ms. Caplan: Absolutely.

Mr. Ward: You never had a conversation with Mr. Wright?

Ms. Caplan: I have never had a conversation with him.

Mr. Ward: Did your husband ever relay to you, even in general terms, any advice or general thoughts he might have gleaned from conversations with Blenus Wright?

Ms. Caplan: He never relayed specific advice. He relayed only that he had received advice and that he was following the advice.

Mr. Ward: In Mr. Wright's testimony on June 25, under direct questioning with regard to perception in the guidelines, he responded, "Okay, one of the advices I gave was that Mrs. Caplan should not have any connection whatsoever with any input into any decision which was made by the IDEA Corp. That can be a perception test. In other words, do not do that." Was that ever conveyed to you by Wilf?

Ms. Caplan: Never.

Mr. Ward: Did you ever have any connection with or input into any decision made by the IDEA Corp.?

Ms. Caplan: Never.



Mr. Ward: Further, he said to make absolutely sure there was no political content in any decision which flowed from the IDEA Corp. to Wyda. If there was, then you would have a perception that there may be conflict of interest. Did you ever have a discussion with another cabinet minister or any senior civil servant with regard to decisions that were made by the IDEA Corp.?

Ms. Caplan: No.

Mr. Ward: That is all I have for now.

Mr. Wildman: Ms. Caplan, as an aside, before I get into the main questions I want to ask, in regard to Mr. Ward's question, do I understand correctly that you agree with him that if the Manual of Administration conflict-of-interest guidelines applied to members of the Legislature and the executive council, their spouses would not be able to work?

Ms. Caplan: If you added that to the conflict-of-interest guidelines as they now apply to cabinet ministers, I believe you could come to that conclusion.

Mr. Wildman: Are you aware that Tom Campbell works?

Ms. Caplan: He is a civil servant.

Mr. Wildman: Is he not president of Ontario Hydro?

Ms. Caplan: Yes.

Mr. Wildman: And his wife is the Deputy Minister of Natural Resources?

Ms. Caplan: Yes.

Mr. Wildman: I would say that is a little specious.

Ms. Caplan: May I give you an example? In the definition that has been espoused of interest, if a professional spouse of a minister, for example, were an architect, whether or not one had equity, what architect firm that ever wanted to do business with this government would hire him or her? I am saying they would have trouble working any place except in government. It is the same thing for a lawyer, an engineer or a businessman, whoever wanted to sell his product to the government; if he were precluded simply because an employee was the spouse of a minister, I would suggest to you they would have a very difficult time having employment.

Mr. Wildman: Just a moment. I do not want to prolong this, but it is a little different to be an employee as opposed to a vice-president. That is a significant difference, is it not?

Ms. Caplan: I think it depends on your definition of whether that vice-president is an officer or an employee or has a share in the business.

Mr. Wildman: Obviously.

Ms. Caplan: An employee is an employee; an owner or a person with an equity interest is very different from an employee.

Mr. Wildman: And an officer is an officer.

Ms. Caplan: And an officer is formally--

Mr. Wildman: Shall we proceed? Earlier, you said you understood the guidelines were being reviewed as a result of your discussion with Mary Eberts. You also indicated you did not understand you were subject to the old guidelines until new guidelines were brought about. Is that correct?

Ms. Caplan: What I stated is that she told me specifically there were going to be changes--

Mr. Wildman: I am not asking what she told you; I am asking what you understood as a cabinet minister.

Ms. Caplan: I understood that I had to divest of my shares, that I could not own land in Ontario that was not disclosed--

Mr. Wildman: What guidelines were you subject to until September?

Ms. Caplan: I was subject to, in my view, the guidelines that had been in place for the other government pending the review.

Mr. Wildman: Right. Good. Thank you. Those guidelines, it has been suggested in testimony by Blenus Wright before this committee, were stronger than the present guidelines.

Ms. Caplan: I believe I complied with them as well.

Mr. Wildman: Did you understand those old guidelines to allow for your husband to be an officer of a company that was negotiating for an investment by a crown corporation?

Ms. Caplan: Under the new guidelines or under the old guidelines?

Mr. Wildman: The old ones.

12:30 p.m.

Ms. Caplan: Legally, he could not be an officer or hold an equity interest, and he was not.

Mr. Wildman: I did not ask about equity; I asked if he could be an officer of a company that was negotiating for an equity share from a crown corporation.

Ms. Caplan: I do not know.

Mr. Wildman: When the new guidelines came out--I refer you to tab C in the black binder, the first page, bottom paragraph--you never sought advice after these guidelines were finalized regarding the fact that "no private company in which a minister or his or her family has an interest may become contractually involved with the government of Ontario unless..." and then it goes on to deal with a blind trust. You never sought advice about that with regard to your husband's responsibilities at Wyda?

Ms. Caplan: I did not know about his responsibilities at Wyda, and I understood what this meant.

Mr. Wildman: But you never sought advice or sought information to find if your husband had any responsibilities that might be covered by this?



Ms. Caplan: No, I did not.

Mr. Wildman: I would like to refer you to 10A again. Earlier you indicated that you had not seen this letter and you were not aware of it. I realize how busy you were in your office and what was happening particularly at the time of the change of government, a new government coming in, but was it your practice to leave correspondence marked "private and confidential" to be dealt with solely by your secretary without your perusing it?

Ms. Caplan: In the case of anything to do with conflict-of-interest guidelines my private and confidential secretary dealt with private and confidential matters. That was my direction.

Mr. Wildman: I think you indicated earlier that if you had known about this letter you would not be here today.

Ms. Caplan: Maybe that was an overstatement. Let me say that perhaps if I had seen this letter, Wilf and I would have talked, we would have discussed; I would have had information.

Mr. Wildman: You would have indeed been aware, as indicated in the letter of Ms. Eberts; the misunderstanding that you were aware.

Ms. Caplan: I am not sure of the question.

Mr. Wildman: In the middle of the paragraph it states, "As you are also aware," at the beginning of a sentence, and you said earlier you were not aware.

Ms. Caplan: I was not aware.

Mr. Wildman: But you would have been aware if this letter had been made known to you.

Ms. Caplan: That was the intention that I was trying to convey before. If I had known of this letter, I would have had a further conversation regarding the contents, although I have read Ms. Eberts's testimony and I know even there the wording is inaccurate as to what she actually meant and what she advised. I know from Wilf's testimony what his interpretation was as well.

Mr. Wildman: With respect, the committee is not aware of that.

Ms. Caplan: I think it is in the transcripts.

Mr. Wildman: We are aware of her understanding of the definition of words like "sever." We are not aware that what she said is our understanding of what--

Ms. Caplan: I think you are aware of what Wilf's interpretation was, and I was not there so I cannot attest to that.

Mr. Wildman: If you turn to N-15, is it your testimony that at no time your husband discussed whether this letter should be drafted, how it should be drafted or whether it should be sent?

Ms. Caplan: That is my testimony.

Mr. Wildman: This is a hypothetical question: If you had been aware of the July 8 letter and what your husband's interpretation was of the errors



in that letter, according to his testimony, do you think that letter should have been responded to?

Ms. Caplan: My testimony, if I am going to be hypothetical, Mr. Wildman, is that if I had been aware of that letter, we certainly would have had conversations that would have cleared up any misunderstanding and, further, I would then have had knowledge which I do not and did not have.

Mr. Wildman: I will not ask a hypothetical question. I will ask you a question directly that relates to your knowledge now. Do you think that letter of July 8 should have been responded to?

Ms. Caplan: I do not know.

Mr. Wildman: You indicated you had lunch with Mr. Dobzinski and his father-in-law and your husband, and at that time you had a social discussion about family and so on and the fact that Mr. Dobzinski was moving to Toronto. Did the reason for his move to Toronto and to Canada come up at any time in the discussion?

Ms. Caplan: I think it was generally--I am trying to recall. I am sure it was in the nature that he was doing business here, but I do not recall.

Mr. Wildman: All right. Is it fair to say that your testimony this morning basically is that you are unaware of the situation generally and the fact that you were unaware was a mistake?

Ms. Caplan: Let me say that my testimony is that I wish that I had been aware.

Mr. Wildman: With regard to your meeting with the Premier along with your husband, your testimony this morning, which coincides with the Premier's, was that he felt the situation looked bad, and for that reason he felt Mr. Caplan, your husband, should end his involvement with Wyda. Would you agree that saying "looked bad" is another way of saying there is a perception of conflict?

Ms. Caplan: If there was not a perception, we would not be here.

Mr. Wildman: Therefore, if the situation of a perception of conflict resulted in the Premier intimating that your husband should sever his relationship with Wyda, in fact, that was the case all along?

Ms. Caplan: No. The Premier was very clear in his office to say--and I think he testified before this committee--he was satisfied that there was no conflict, that there was no influence, that there was no benefit, that there had been good business practice--

Mr. Wildman: But that politically there was a problem.

Ms. Caplan: Politically?

Mr. Wildman: And all along that was the case.

Ms. Caplan: How can it be all along? We do not know that.

Mr. Wildman: Just as Mary Eberts indicated in her letter.

Ms. Caplan: What I suggest to you is that if you do not know about something, there is no problem.

Mr. Wildman: Exactly. But your husband did know about Mary Eberts's letter, in which she indicated there were problems; did he not?

Ms. Caplan: I cannot speak for my husband.

Mr. Wildman: It is testimony before this committee that your secretary had discussions with your husband about that letter.

Ms. Caplan: I did not have discussions with my husband about that letter.

Mr. Wildman: No, I agree your testimony has been that, but the fact is there was a problem. It was suggested by Mary Eberts and was subsequently affirmed by the Premier.

Ms. Caplan: I would suggest respectfully that in her testimony the problem, as I understood it, was with equity--

Mr. Wildman: The problem was with the words "sever relationships."

Ms. Caplan: --and I think the interpretation my husband put on what that meant was--in fact, it was confirmed by Mr. Wright, because he was the one he was sent to for advice, and he complied with his advice--that his contract was in full compliance with the guidelines. Mr. Wright testified to that fact, both to the Premier and to this committee.

The Premier made one statement here that I probably agree with more than any other, and that I think is the reason there probably was never any intention to have a perception test in those guidelines--I never believed there was a perception test in those guidelines and my husband never believed there was the political perception test in the guidelines--and that is: In whose perception?

Mr. Wildman: Okay.

Ms. Caplan: You have to deal with reality when it is something as important as conflict of interest.

Mr. Wildman: I would like to deal with reality right here.

Mr. Pope: I am sorry. May I ask her to finish what she was saying? She does not have a lawyer here.

12:40 p.m.

Ms. Caplan: The finish is that it is my view, as politicians who are really interested in this important process, on something as important as conflict of interest, we must deal with reality.

Mr. Wildman: And you might agree that you must deal with it rather than leaving it to someone else.

Ms. Caplan: That leads to another question.

Mr. Wildman: The fact is that you have said you left it to your husband. Now you have said it is very important, and yet you left it to someone else.

Ms. Caplan: I said, as politicians, we must deal with realities.

Mr. Wildman: Right, and you must deal with conflict of interest.

Ms. Caplan: My husband dealt with reality. He read the guidelines; he sought advice on the guidelines; he followed that advice. In reality, he is not in breach of those guidelines, and therefore, neither am I. That is the reality.

Mr. Wildman: All right. I would like to deal with the reality, as you refer to it. The testimony before the committee is that Mr. Caplan indicated to Mr. Dobzinski that he could not deal directly with IDEA and be involved in the negotiations because of the potential of conflict. I am not sure if that is the way he described it, but he did tell Mr. Dobzinski that he could not deal directly with IDEA.

Ms. Caplan: Until I read the transcripts, I had no knowledge of that.

Mr. Wildman: He also testified that in January he dealt with Mr. Parikh of IDEA and that in the February 12 meeting, when negotiations were taking place between Mr. Dobzinski and IDEA, principals of IDEA or staff of IDEA, that he was present in the room giving advice. That is the reality as testified to before this committee. Is that complying, in your view, with the advice that was given with regard to your position as minister?

Ms. Caplan: I think that complies with the advice he was given by Mr. Wright. There is nothing in the guidelines that speaks to that issue.

Mr. Wildman: Would you consider a person at the same table part of a negotiating team?

Ms. Caplan: I have no opinion.

Mr. Wildman: I would like to deal then with Mr. Fleischmann. Mr. Barnes testified before the committee that Mr. Fleischmann met with him and described himself as a political hack. You described him as a lobbyist here this morning. Were you at any time aware of your husband's business relationship with Mr. Fleischmann?

Ms. Caplan: No.

Mr. Wildman: At any of the one or two or three or four breakfasts attended by Mr. Fleischmann with you, were members of your riding association also present?

Ms. Caplan: Yes.

Mr. Wildman: Was the IDEA Corp. ever mentioned?

Ms. Caplan: No.

Mr. Wildman: Were you aware that Mr. Fleischmann was dealing with the IDEA Corp.?

Ms. Caplan: No.

Mr. Wildman: Was Wyda ever mentioned?

Ms. Caplan: No.



Mr. Wildman: Did you give us any indication of the dates when these breakfasts took place, or as far as you recall?

Ms. Caplan: As far as I recall, there were two in the fall and two in the spring. I do not recall the exact dates, no.

Mr. Wildman: Were they in June? Did you have any meetings in June? You said you had a meeting on June 25.

Ms. Caplan: I think that was the date, but I am not sure. I do not remember.

Mr. Wildman: Prior to your resignation, did you have a meeting in June that involved Mr. Fleischmann?

Ms. Caplan: I would have to check my calendar.

Mr. Wildman: You could do that and provide us with that information.

Ms. Caplan: I could.

Mr. Wildman: Yes, thank you.

Ms. Caplan: How far back do you want me to go?

Mr. Wildman: Just June; I asked about June.

Ms. Caplan: June?

Mr. Wildman: At any time in June prior to your resignation.

Ms. Caplan: Not that I recall.

Mr. Wildman: You indicated that you were unaware, and I think you explained very clearly your reason. You understood from your husband that he was going to comply and do whatever was necessary and you trusted he would be able to do that. Do you believe that as cabinet minister responsible for complying with the guidelines it was your responsibility to be aware?

Ms. Caplan: I was not the cabinet minister responsible for cabinet compliance. I was the minister responsible for the Manual of Administration, which is responsible for compliance by civil servants.

Mr. Wildman: That is not the way I asked the question. I meant with regard to your own compliance, not the compliance of other cabinet ministers.

Ms. Caplan: I was fully aware of my own compliance.

Mr. Wildman: You indicated earlier that you were unaware of the exact nature of your husband's involvement.

Ms. Caplan: I was not aware of my husband's; I had confidence in his compliance.

Mr. Wildman: Your compliance is related to your husband's compliance.

Ms. Caplan: As I understand that--

Mr. Wildman: My question is, was it not your responsibility to be aware?

Mr. Bell: I know Hansard has a headache already. I was warned to try to have the answer completed before a question is started. I am sorry, Mr. Wildman, but--

Mr. Wildman: When the answer is not to my question, I think I should explain the question.

Mr. Bell: My only concern was that Ms. Caplan had not completed the answer she had started. We all have to read the transcript later.

Ms. Caplan: The answer is I had full confidence when my husband told me he would do everything necessary to comply, that he was seeking advice and that he did comply. I had confidence he would do that.

Mr. Wildman: You said that before. My question was, do you believe it was your responsibility to be aware that he had complied?

Ms. Caplan: That would have interfered with our personal relationship.

Mr. Pope: Can I go back to Ivan for a minute to try to place him in some context? Did you meet Mr. Fleischmann for lunch before you met with your husband and Mr. Dobzinski and his in-laws?

Ms. Caplan: The events were unrelated, and I have no recollection of the timing.

Mr. Pope: Why do you say the events were unrelated?

Ms. Caplan: Because I had no knowledge that Mr. Fleischmann was in way related to or even knew Avi--at the time I did not even know his last name. I see no connection. As far as I was concerned, my husband had invited me to dinner with a guy who was a client. We had a social dinner and that was it.

Mr. Pope: Did anyone at the dinner ask you what position you had in cabinet?

Ms. Caplan: I do not think so. I do not think we discussed my position. If there was any discussion, it was general. I am trying to recall and I am having difficulty. It certainly was an exciting time for me. I do not think we discussed my position or anything to do with the government. Rather we were discussing the political climate or the change. When I say political climate, there had just been a change of government and the excitement of that time, perhaps the campaign process of how the change came about as opposed to any--there was nothing specific. I am having trouble even recollecting it, to be perfectly honest with you.

12:50 p.m.

Mr. Pope: From the dinner discussion, is it fair to say Mr. Dobzinski would know that you were in government and a politician?

Ms. Caplan: That is fair.

Mr. Pope: What did Ivan ask you when he took you out for lunch?

Ms. Caplan: He asked if he could give me any advice on being a member of the Legislature or be helpful in any way. I said, "No, thanks, but if I think of anything, I will let you know."

Mr. Pope: Did he talk about his work?

Ms. Caplan: No.

Mr. Pope: Not at all?

Ms. Caplan: No.

Mr. Pope: He sure talked to Mr. Barnes about his work. Why would he not talk to you?

Ms. Caplan: It was a different relationship.

Mr. Pope: Did you refer him to Mr. Barnes?

Ms. Caplan: No.

Mr. Pope: Did he say he was living in Toronto?

Ms. Caplan: I knew he was living in Toronto.

Mr. Pope: How did you know that?

Ms. Caplan: I think because of his friendship with my husband. I just knew. I do not know why; I just knew.

Mr. Pope: Did you know from your husband or anyone else what kind of work he was going to be doing?

Ms. Caplan: No.

Mr. Pope: Did he ask you for any advice on how to make contacts in the provincial government?

Ms. Caplan: No.

Mr. Pope: Did he ask you anything about the provincial government?

Ms. Caplan: No.

Mr. Pope: Did he ask you how you were enjoying your cabinet position?

Ms. Caplan: Yes. Actually, I do not think I was in cabinet on June 6. It was, "How are you enjoying the Legislature?" and "It is an exciting political time," that kind of stuff.

Mr. Pope: How about the next time you had lunch together? Did you talk about government then and the fact that you were in cabinet?

Ms. Caplan: Then it was, "How are you enjoying cabinet?" and "Can I be of any help?"



Mr. Pope: Did he talk, on that subsequent occasion, about what kind of work he was doing?

Ms. Caplan: No, not that I recall the specific nature of any of his clients.

Mr. Pope: Had you ever met Mr. Fleischmann in Ottawa?

Ms. Caplan: I think I was up there once when I was an alderman. I do not remember what the occasion was, and I may have seen him--I think I did--once.

Mr. Pope: At lunch, did he tell you he is a lobbyist?

Ms. Caplan: If he did not use the term, certainly I understood.

Mr. Pope: Did he ever attend at your office?

Ms. Caplan: I do not recall.

Mr. Pope: Have you ever heard of him meeting with your staff?

Ms. Caplan: I know from my staff that they may have met with him once or twice or that they had phone calls, but that was normal business.

Mr. Pope: Did he ever ask you what your specific responsibilities were?

Ms. Caplan: No.

Mr. Pope: Prior to your election, how often had you met him?

Ms. Caplan: Going back--

Mr. Pope: Just in the last three years, let us say.

Ms. Caplan: I would guess half a dozen times or maybe a few more.

Mr. Pope: Do you remember the circumstances?

Ms. Caplan: No.

Mr. Pope: How close together were the two luncheon engagements?

Ms. Caplan: One was before I was in cabinet and one was after.

Mr. Pope: Was it just after you had been appointed to cabinet?

Ms. Caplan: I am not sure there were two lunches. I think one may have been breakfast. I did not have time for lunch when I got into cabinet.

Mr. Pope: I understand that too.

Ms. Caplan: I am not sure it was lunch.

Mr. Pope: Okay. One was a breakfast and one was a lunch, or both could have been breakfast. They were both in the time from May 2 into July 1985?

Ms. Caplan: That is what I would guess, yes.

Mr. Pope: You would guess yes?

Ms. Caplan: I would guess. It would be a guess.

Mr. Pope: Do you have any reason for this new-found relationship other than a lobbyist and a cabinet minister?

Ms. Caplan: It was not new-found in that he was a friend of my husband. I knew him. As I say, we had been neighbours years ago. I had calls over that period from a lot of people who wanted to get together and have lunch and breakfast.

Mr. Pope: But you did not accept them all. It would be humanly impossible.

Ms. Caplan: I did as many as I could, which was one of the reasons I was not home a lot.

Mr. Pope: Knowing now that Mr. Fleischmann received \$30,000, did you think you were part of his work?

Ms. Caplan: I hope not.

Mr. Pope: So do I.

Ms. Caplan: And I do not think so.

Mr. Pope: Other than the dinner with your husband at Carman's, where you met Mr. Dobzinski and his father-in-law, I think you said, did you meet Mr. Dobzinski at any other time?

Ms. Caplan: In late May of this year, I believe, some time in May, he had some kind of a social reception at his home and my husband and I stopped by.

Mr. Pope: Did you ever meet Leo Gray?

Ms. Caplan: I never even heard of him.

Mr. Pope: You never met him in Windsor?

Ms. Caplan: Never.

Mr. Pope: Did you ever hear of a group called the Cumberland Group?

Ms. Caplan: Never. Not till I read the transcripts.

Mr. Pope: Did you ever hear your husband speak of Leo Gray?

Ms. Caplan: No.

Mr. Pope: Did you have any discussions with your office staff about their communication and the document flow to and fro between your husband and your office staff on the conflict-of-interest issue?

Ms. Caplan: Only with my personal secretary as far as directing that that happened.

Mr. Pope: Is that Ms. Bryant?

Ms. Caplan: Yes.

Mr. Pope: How often did you discuss with her the documents that were being sent and being received?

Ms. Caplan: I do not recall, but it was not often.

Mr. Pope: You never specifically discussed the letter addressed to yourself from your husband on Damaza stationery?

Ms. Caplan: No.

Mr. Pope: Were you aware there was some discussion between your husband and your staff about the Damaza company?

Ms. Caplan: No.

Mr. Pope: Do you read all the mail that goes out?

Ms. Caplan: I do not read all the mail that comes in, personally, every single letter.

Mr. Pope: Why not?

Ms. Caplan: I see the responses and I read them at that time when I am responding to them. Is that your question?

Mr. Pope: Yes.

Ms. Caplan: I try to read and see as much but, as you are aware, the volumes that come through sometimes make it impossible to scrutinize every single piece of mail. I try.

Mr. Pope: Do you have a system in your office that when you are signing a letter, the documents you are responding to are placed on the opposite side of the signing book?

Ms. Caplan: Sometimes. It depends. Usually, but not always.

Mr. Pope: It was not done in the case of any letters on conflict of interest?

Ms. Caplan: We did not have signing books till after that.

1 p.m.

Mr. Pope: Did you meet Mr. Fleischmann after the two occasions in July or May, June, July?

Ms. Caplan: Of what year?

Mr. Pope: Of 1985.

Ms. Caplan: I think we had dinner in the summer.

Mr. Pope: The summer of 1985?



Ms. Caplan: Yes.

Mr. Pope: Do you recall the month? I will not hold you to a date, but do you recall the month?

Ms. Caplan: I would guess August.

Mr. Pope: Did you discuss your responsibilities at that dinner?

Ms. Caplan: I do not recall the conversation.

Mr. Pope: You do not recall anything about what was discussed? You must have run out of discussion about renewal of acquaintances.

Ms. Caplan: Just social.

Mr. Pope: Was anyone else at the dinner?

Ms. Caplan: Yes.

Mr. Pope: Who else was there?

Ms. Caplan: Art Eggleton and his wife, I think--I am not sure if his wife was there--his executive assistant, a couple whose name I do not remember, Sharon and Hershell Ezrin and Ivan's wife.

Mr. Pope: Was anyone else at the breakfast or lunch, whatever they were?

Ms. Caplan: I made it a practice always to have a staff person with me.

Mr. Pope: Who was the staff person at the breakfast or lunch, whatever they may be?

Ms. Caplan: I would have to check my calendar.

Mr. Pope: Can you give us that information? Can you supply that information once you have checked your calendar?

Ms. Caplan: Yes.

Mr. Bell: Was it Janice Rubin?

Ms. Caplan: Yes, the first one would have been Janice Rubin.

Mr. Pope: And the second one?

Ms. Caplan: I would guess Beth Gulyas. I think Beth Gulyas.

Mr. Pope: After the dinner in August 1985, did you have any other contact with Mr. Fleischmann?

Ms. Caplan: I was not home at lot. There were probably phone calls. My husband went to baseball games with him and that kind of thing. There may have been another meeting.

Mr. Pope: Do you recall any detail of the other meeting?

Ms. Caplan: No.

Mr. Pope: Do you recall the month?

Ms. Caplan: I would have to refresh my memory.

Mr. Pope: If you can come up with any further information, can you supply it to the committee?

Ms. Caplan: Yes, I would be happy to.

Mr. Pope: Did Mr. Fleischmann ever tell you that your husband was responsible for his current employment?

Ms. Caplan: No.

Mr. Pope: Did your husband ever mention that Mr. Fleischmann was being employed?

Ms. Caplan: No.

Mr. Pope: Were you aware of any phone conversations between your staff and Mr. Fleischmann?

Ms. Caplan: Yes. I knew he had called.

Mr. Pope: Called staff?

Ms. Caplan: Staff.

Mr. Pope: Did he discuss with staff the IDEA Corp. or Wyda?

Ms. Caplan: I have asked him that and the answer is no.

Mr. Pope: Do you know what he called for?

Ms. Caplan: No.

Mr. Pope: Could you inquire from your staff and advise the committee what the conversations were about?

Ms. Caplan: Yes.

Mr. Pope: Did Management Board have any role to play in any matter concerning the global funding of the IDEA Corp.?

Ms. Caplan: No, I do not believe so. As I recall the allocation process, there was nothing specific in the Ministry of Industry, Trade and Technology that referred to it. There was never anything in that allocation. My understanding now is that they had money in the bank; they never required additional approval of funds.

Mr. Pope: Were you or Management Board involved in the role of Ontario Development Corp. on an interim basis during 1985 and 1986?

Ms. Caplan: No, because that did not happen until June 30 and that was totally internal to MITT.

Mr. Pope: I am asking this next question for another purpose, because I know you would not have any personal involvement in these kinds of matters, but would Management Board staff be part of the decision to put some of the IDEA Corp. staff on short-term contract?

Ms. Caplan: I have no knowledge of that.

Mr. Pope: Have you heard of any explanation as to that?

Ms. Caplan: No.

Mr. Pope: Did Management Board review Mr. Kruger's report on the winding up of the IDEA Corp. and the interim financial steps from the cabinet meetings of February 18 and 19 onwards?

Ms. Caplan: I think that was direct to cabinet. I do not think Management Board dealt with it. The first time Management Board dealt with anything was the meeting of June 16.

Mr. Pope: Did you ever have any direct meetings with Mr. MacKinnon or Ian Macdonald?

Ms. Caplan: No.

Mr. Pope: Did you offer any advice to your husband on April 7 when you saw the letter of January 31, 1986, on the relationship between Damaza and Wyda?

Ms. Caplan: No.

Mr. Pope: Did Mr. Kruger make you aware of the concerns he noted in the documents he produced for this committee and the discussions he had on March 21 and March 23, I think it was, about disclosure in front of the IDEA Corp.?

Ms. Caplan: No.

Mr. Pope: Did Mr. Webster tell you about his concern?

Ms. Caplan: Whose concern?

Mr. Pope: Mr. Kruger's.

Ms. Caplan: No.

Mr. Ward: From your testimony with regard to Wilf's obligations as you saw them regarding the conflict-of-interest guidelines, I get the impression that you saw that aspect as his responsibility with respect to his business interests. Is it not fair to say, though, that you had already made a conscious decision, with regard to your obligations, to divest your holdings?

Ms. Caplan: Yes, I made a conscious decision to divest and to disclose in accordance.

Mr. Ward: With respect to the filings and compliance with the conflict-of-interest guidelines, you did not see that just as Wilf's role; you had fulfilled yours and, with respect to what he had knowledge of and involvement in, that was his role?



Ms. Caplan: Absolutely.

Mr. Ward: To go back to these breakfasts that Mr. Fleischmann attended, how many people were there? Two, three, half a dozen?

Ms. Caplan: The numbers varied between 20 and 30 to 35.

Mr. Ward: They really were not business breakfasts. Were they partisan functions?

Ms. Caplan: There were four fund-raising events that my riding association held, two in the fall and two in the spring.

Mr. Ward: I see. They were open to anybody.

Ms. Caplan: Anyone was welcome, even you, Phil.

1:10 p.m.

Mr. Ward: Was your lunch with Mr. Fleischmann prior to his appearance before standing committees of the Legislature on behalf of clients?

Ms. Caplan: I did not even know he appeared.

Mr. Ward: You were not aware of any of his clients?

Ms. Caplan: I was not aware.

Mr. Ward: Was that before the standing committee on social development hearings on drug pricing? What was the time frame of that?

Ms. Caplan: I do not recall.

Mr. Ward: Was that lunch within the last six months?

Ms. Caplan: I think I had a lunch with him within the last six months, but I do not recall the specific date.

Mr. Ward: You are still not aware of his clients? You are not aware of the fact that he appeared before the social development committee on behalf of a generic drug manufacturer?

Ms. Caplan: I did not pay much attention to what he was doing.

Mr. Ward: I thought you were going to say that cabinet ministers do not pay attention to what happens at committees.

Ms. Caplan: No.

Mr. Ward: If I could return to the whole business of perception tests and conflict-of-interest guidelines, is it your understanding that the conflict-of-interest guidelines that apply to cabinet ministers make no differentiation whatsoever between spouses and minor children and that whatever applies to you applies to your husband and your minor children?

Ms. Caplan: Yes.

Mr. Ward: I want to return to the Manual of Administration, because

I do not want Mr. Wildman to leave with the impression that I think Tom Campbell and his wife have a conflict of interest.

Ms. Caplan: They do not.

Mr. Ward: My difficulty is when we try to apply aspects of that to another situation. Are you aware that the Manual of Administration does not make any mention of spouses or minor children? It applies only to a civil servant.

Ms. Caplan: Absolutely. The point I tried to make was that I agree you cannot compare the two. The question you asked me before was, "If you applied one to the other, what would be the effect on spouses?" But the Manual of Administration refers only to the employee, the civil servant, his obligations and to whom he must report.

Mr. Ward: Okay. You indicated that if you had been aware of the letter and some of the information, perhaps we would not be here. I have some trouble with that. Why would we not?

Ms. Caplan: Wilf and I then would have had some reason to talk or get into some detail, which we never did. I might have initiated a conversation. I am sure it would have caused me to say, "Let us talk about it."

Mr. Ward: Would that cause be political or substantive?

Ms. Caplan: It would be political.

Mr. Ward: Strictly a political decision.

Ms. Caplan: It would be a political discussion, which we did not have very often.

Mr. Ward: Why did you come to the decision to resign on June 16?

Ms. Caplan: I felt it was the honourable thing to do.

Mr. Ward: Why? Because an allegation had been made?

Ms. Caplan: It is my view that conflict of interest is very serious. The allegations were being made against my husband in a forum where he could not testify. It was my hope that he would have an opportunity to appear here and that this would be the forum. I also felt that, because the allegation had been raised, I had a responsibility to my government to behave as honourably as I felt it expected me to behave. I wanted to fulfil that obligation.

Mr. Ward: Is one of the reasons concern with the political repercussions?

Ms. Caplan: I wanted the air cleared. I wanted a chance to deal with this. The forum of question period, as opposed to having the opportunity where my husband could appear, was presented. That was presented as an opportunity before the resignation. But I felt the honourable thing to do was to resign and have the inquiry. I felt I did not have the confidence of the House. Both opposition parties had asked for my resignation.

Mr. Ward: I can understand all of that, but I guess the concern is that one of the items this committee has to deal with is in terms of the



effectiveness of the guidelines, and we have to consider process. I ask it from the point of view out of a concern of process. How is the process served when the mere allegation, not substantiated by any fact, of a violation of the guidelines generates a resignation?

Ms. Caplan: I would like to quote the Premier in my answer. I think he said it best before the committee when he said, "If we concentrated more on reality and let perception take care of itself, we would be better politicians." I cannot say it better than that. As far as the process being served is concerned, when it is something as serious as an allegation of conflict of interest, we must deal with reality.

Mr. Ward: Is not the mere allegation a problem of perception?

Ms. Caplan: In the political process.

Mr. Ward: I guess my concern is we get back to a sort of a--

Ms. Caplan: In whose perception, is what it comes down to. It is my view that once you have all of the facts and you understand the reality, there is no perception. The perception only comes if you do not have all the information, and it is in whose perception? In the perception of the opposition, in the perception of the media, in the perception of my mother? Whose perception? That is the whole problem with the perception test.

It is my view, and I hope Mr. Aird will ask me, that if you have a perception test you must have an arbitrator or an arbiter, and I would prefer one whose perception was respected by all members of the House. Whatever the process is, I think it is up to Mr. Aird to make his recommendations. I am too close to it at this time, and I do not want to spend the time of the committee getting into that.

Mr. Ward: Can you not see some danger in the approach that you succumb every time there is an allegation? I think of the McCarthyistic approach to politics. That to me, philosophically, is the concern.

Mr. Philip: Did you discuss it with the Rat Pack in Ottawa?

The Acting Chairman (Mr. Gregory): Maybe we could have the answer.

Mr. Ward: I did not discuss it with the Rat Pack.

Ms. Caplan: I did not hear that. Would you repeat your question?

Mr. Ward: I guess it is a more philosophical one. Do you not see the danger in succumbing, and I use the example of the McCarthy era, the McCarthyistic approach to politics, when an allegation is made and you succeed mainly because you have created that doubt?

Ms. Caplan: I think Mr. Aird in his wisdom and the people he will be consulting, and I hope the members of this committee and all the members of the Legislature, will come to a conclusion that we can find a way of dealing with this. I think there are many options. I know from the transcripts that Mr. Phillips mentioned a few. I have thought about ways. As long as it is a forum where there is respect by all parties then perhaps allegations in the forum that we have now--maybe we will all be better for a better process.

Mr. Wildman: I am sure Mr. Ward did not intend in any way to



indicate this committee is somehow similar to the committee on unAmerican activities or that anyone on this committee in any way resembles Senator Joe McCarthy.

1:20 p.m.

Mr. Ward: Before I finish, I just want to say I preambled that, in fairness, with a philosophical point of view. I think we have to concern ourselves legitimately and get back to this whole issue of perception and the lack of a perception test. I cannot accept the premise that because a factual circumstance or an appearance can result in an allegation, every time that takes place, a minister has to resign. That is a very legitimate concern.

We have heard it said so often, and Mrs. Caplan in her testimony indicated, that because of the political appearances, a different course of action would have been necessary or a resignation may be necessary. I am not trying to assign any comparison in that regard to anybody here, only in terms of the process.

Mr. Philip: You and the Premier both have some anxieties, as do some of your colleagues in this committee, about the perception test, but it was the Premier who brought in the conflict-of-interest guidelines that included the perception test.

Ms. Caplan: I do not agree with that statement. I do not believe there is a perception test in the guidelines. I think Mary Eberts testified there was no intention to have a perception test in the guidelines. I think the Premier testified that he does not--

Mr. Philip: What is the last paragraph of the--

Ms. Caplan: My interpretation is "When in doubt, seek advice," and the advice was sought from Mr. Wright. I do not believe there was ever an intention to have a perception test in the guidelines as they apply to ministries.

Mr. Philip: Mr. Pope has covered in some detail some of the questions I wanted to cover concerning Mr. Fleischmann. When did Mr. Fleischmann first involve himself with your riding association, to the best of your knowledge?

Ms. Caplan: He is not a member of my riding association.

Mr. Philip: Does he live in your riding?

Ms. Caplan: Not that I know of. No. Let me say that over the last year, many people have offered help, and I have referred many people to my riding association, either for the purpose of membership or for assisting in whatever capacity they wanted to.

Mr. Philip: Did you refer Mr. Fleischmann to your riding association?

Ms. Caplan: To the people in the association who were looking after the aspect of--the answer is yes.

Mr. Philip: You mentioned earlier in answering questions that you had advised your riding association--I assume that is the executive or whoever it is, the membership secretary and a few key people--that they should be

careful about people who suddenly start being terribly active. I assume that meant active either monetarily or physically in the association. What did you mean by that?

Ms. Caplan: There is an Election Expenses Act. There are very clear rules governing the provincial arena. In directing people who were involved with my riding association, it was more my philosophy, which I carried through my municipal years; it was more of a philosophical statement.

Mr. Philip: You referred Mr. Fleischmann to your riding association, though. If you had a warning against somebody somehow profiting or trying to profit by his relationship with your riding association or with your campaign, whatever, would Mr. Fleischmann not be the kind of person you would be most concerned about? You described this man as a lobbyist; he describes himself as a political hack. He is operating in Ottawa as a lobbyist or political hack, as the case may be, when the Liberals are in power there. Suddenly, the Liberals come into power here, he shows up and you refer him to your riding association. Is that not the very type of person you would have wanted to warn your riding association against?

Ms. Caplan: With the caveat that no one is excluded from participation in the democratic process. Lots of people who do not live in my riding have offered to help. To exclude someone, to say, "I am sorry, you cannot help at all"--it was my feeling that as long as it was appropriate and they were aware of what he did and that I did not want--

Mr. Philip: Is it not fair to say, though, that you would not have too many people coming from any great distance to help in your--

Ms. Caplan: No, that is not fair to say. My riding has people coming from very great distances to help.

Mr. Philip: Do you know or are you aware of whether Mr. Fleischmann or any of his companies or affiliates contributed financially to your campaign funds in any substantial manner?

Ms. Caplan: I asked that question when this came up, because it was an answer I wanted. I understand his company made a \$500 contribution.

Mr. Philip: When did you first find out that Mr. Fleischmann received what was essentially an appointment to take over part of your husband's responsibilities? When did that first come to your attention?

Ms. Caplan: When the matter was before this committee.

Mr. Philip: You had no idea of that whatsoever before?

Ms. Caplan: No.

Mr. Gillies: A lot of the questions I wanted to ask Mrs. Caplan have already been answered, but I have a few more.

You received a \$500 donation from Mr. Fleischmann during the campaign period.

Ms. Caplan: No. It is my understanding it was after the campaign. It was in relation to the breakfasts. I am not sure of the exact date.



Mr. Gillies: The breakfasts you are referring to are fund-raising ventures. How much does it cost to attend one of those?

Ms. Caplan: It is \$250 for the ticket.

Mr. Gillies: To the best of your recollection, did he attend two, three or four of them?

Ms. Caplan: My recollection is two.

Mr. Philip: At \$250, do you get Eggs Benedict?

Mr. Gillies: I hope the coffee is not extra.

I am trying to get a handle on this. Is the donation of \$500 additional to the \$250 per breakfast that he also contributed, or is that the total?

Ms. Caplan: It is my understanding that is the total contribution in 1986. I asked that question and I believe that is the answer from my riding association.

Mr. Gillies: Could you double-check that and provide that information to the committee? It will be helpful.

Ms. Caplan: Yes.

Mr. Gillies: Were you aware that your husband undertook two small business projects for Mr. Fleischmann back in the fall of 1985?

Ms. Caplan: No, I was not.

Mr. Gillies: I have a question about your husband's income over the past year. In his testimony to the committee, he indicated that during the time he was on the \$2,000-a-month retainer, his expenses were expected to be taken out of that and they averaged about \$1,700 a month; so in fact his take-home from the Wyda contract for most of last year was about \$300 or \$400 a month, he was saying.

In your earlier testimony, did I hear you correctly that your assumption was that his income from the Wyda contract for a number of months was \$8,000 a month?

Ms. Caplan: No, I did not say that.

1:30 p.m.

Mr. Gillies: What was your understanding of his income?

Ms. Caplan: For the past 10 years at least, and possibly longer, the only time when I know what my husband's income for the year has been is when we go to our accountant annually and sign our tax returns.

Mr. Gillies: He did not indicate to you at any time during the past year that his income was really quite minimal in view of the expenses having to be paid out of this very modest retainer?

Ms. Caplan: If it would be appropriate, maybe I should try to explain our relationship so that you could understand that, because I think it is important. Is it all right, Mr. Chairman?



Mr. Chairman: Go ahead.

Ms. Caplan: In 1972, I began my own business, which was real estate title searching and conveyancing. After I had been in business for six or eight months, I went to my bank for an operating line of credit so that I could even out my income rather than just waiting for my accounts receivable. I sat down with my bank manager and said: "Here is my business. I have been in business for eight months. Here are my accounts receivable. I would like an operating line of \$500."

He said it would require my husband's signature. I said, "I have a car that I own outright and I would be happy to put that up as collateral." They said they would not give me an operating line without my husband co-signing.

I was furious. I called the head office of the bank and asked them what would be required. They told me they wanted a track record and an ageing list and that I would need about two years. I went home and my husband said, "I will co-sign." I said: "Absolutely not. This is my business. It has nothing whatever to do with you."

Two years later, I went back to the bank with a track record, an ageing list and all of the things they required, and I got a \$2,000 personal operating line of credit for my business. That was 1973-74, I would guess.

Three years ago, my husband came home to say there was a business venture he wanted to go into. He required a line of credit from his bank and they wanted my signature. He told them that we do not sign for each other and that he would not give them or ask for my signature. When he told me this, I did not offer my signature.

The next bank he went to said it wanted a chattel mortgage on our house. The house is in my name. Even though under the Family Law Reform Act he has a matrimonial half interest, he came home and told me he had told them he would not assign a chattel mortgage to the house, and I did not offer to sign.

From 1972 till 1986, my husband and I have never signed for each other. Further, I do not even know where his bank is. I do not know what his personal line of credit is or what his indebtedness is to the bank for himself personally or for his business. He has never signed for me. I know where the file is in my house where all of that information exists, should something happen to him.

That is our relationship. I think it sort of sets up and tells you that we have a contemporary marriage where--

Mr. Gillies: I accept that, but you are saying that relationship extends to his income of \$2,000 a month minus expenses changing to \$8,000 a month, presumably minus expenses, and his not even mentioning this to you?

Ms. Caplan: Over the past 10 years I have never known his total annual income until we went to our accountant to sign our tax returns. Let me tell you, I asked him last night, "Do you know what my personal line of credit is?" I have my own with my own bank now, and he guessed and he was wrong. He does not know. We do not know about each other's financial affairs or business affairs. The valuable time we have at home is family time.

Mr. Gillies: In view of that, and you have described very candidly a relationship where your financial affairs are kept very strictly separated,

does it not then seem a little incongruous, in view of the testimony you have given of what you have described as the very important matter of conflict of interest, which is as a result of your occupation and not Mr. Caplan's, that you turned over the administration of that matter entirely to him?

Ms. Caplan: Having told you how we deal financially as far as not signing for each other, banking and so forth, let me tell you also that for the first five years of our marriage my husband handled all of the finances, payments, bills and bookkeeping for our family. For the second five years I did all of that. For the third five years he did it and he has been trying unsuccessfully to give it back to me ever since. The fact is I hated it more than he did, so he actually looks after all of our investments. I had more awareness when I saw the conflict-of-interest filings that he did than I had previously as to what the holdings were.

Mr. Gillies: When you entered cabinet about June 26 last year, you took on staff. Can you tell us a bit about your staff? Were they all new hirings? Were they people who had not worked with you before?

Ms. Caplan: We were actually told that through this first year there would probably be a lot of changes as teams and people came together, that some could work together and some would like the milieu and others would not. We expected there would be changes. My personal secretary, who came with me in May when I was elected to the Legislature, had a very different expectation of what the job was going to be when we moved across the street and she stayed until this spring, when she moved on. I think it was February, March or April. I am not sure when she left.

Janice Rubin, whom we referred to, was with me through the transition period and took a position in another office. The special assistant, who for a very short period became my executive assistant, until November or December of this year--I am not sure of his actual leaving--was new to Ontario. I had met him during the campaign. He seemed like a very bright young man and he came on. There have been a lot of changes.

Mr. Gillies: Sure. I guess all I am getting at here is that these were new working relationships as of your election on May 2 of last year.

Ms. Caplan: Yes, with the exception that my personal and confidential secretary worked in the clerk's office in the city of North York and I knew her through my time in North York and had confidence in her. She was not unknown to me.

Mr. Gillies: All right. This was something I wanted to ask you. Having yourself described the matter of conflict of interest as so serious, again it seems strange that as a new minister with new staff you turned the matter entirely over to staff people to deal with your husband and take it out of your hands.

1:40 p.m.

Ms. Caplan: As I say, I knew Joyce and had confidence in her. We had a working relationship, although she did not work directly for me in North York. She was unique amongst the staff who came together.

Mr. Gillies: I have a couple of other questions. When did you first become aware that the Wyda corporation was negotiating for an investment from IDEA Corp?



Ms. Caplan: I have difficulty with the word "negotiation" because I never really knew when they were negotiating.

Mr. Gillies: Let me rephrase it. When did you become aware that Wyda was having any dealings at all with IDEA?

Ms. Caplan: I never even knew the name of the company, Wyda, until the spring. I can say to you that it was April before I knew about Wyda.

Mr. Gillies: It was April when you knew about Wyda. When did you become aware of their relationship with IDEA?

Ms. Caplan: "Their" being?

Mr. Gillies: I am sorry; the Wyda corporation having any dealings with IDEA Corp. When did that come to your attention, to the best of your recollection?

Ms. Caplan: April.

Mr. Gillies: Back in April.

Ms. Caplan: Before that, I only knew the name Avi.

Mr. Gillies: Do you recall the circumstances in April under which you became aware of the fact?

Ms. Caplan: That was when I looked at my husband's contract.

Mr. Gillies: When you looked at the contract. When I asked a question on June 10, I did not use your name or your husband's name in the question, but as soon as I said a company called Wyda in Scarborough dealing with IDEA, you knew what I was talking about.

Ms. Caplan: Exactly.

Mr. Gillies: Thank you.

Mr. Wildman: Mrs. Caplan, do I understand your testimony earlier to be that to your knowledge you understood your husband's fee or Damaza's fee from Wyda remained the same throughout?

Ms. Caplan: Let me say to you that I believe his rates did not change.

Mr. Wildman: What do you mean by "rates"?

Ms. Caplan: The testimony you have in the transcript and what I have said to you about my recollection of our trip to the Far East dealt with rates, and his rates, as he testified, were \$150 an hour, \$8,000 a month or expenses plus a large contingency. Over the period of this year that did not change.

Mr. Wildman: The testimony before the committee, that the change from \$2,000 a month to \$8,000 a month was to take into account that he could no longer have a contingency, is what you mean by no change. You were not aware of that kind of difference.



Ms. Caplan: He explained that. I am aware now and I can explain it to you from my perspective if you wish.

Mr. Wildman: No. I was wondering, basically you were not aware of those kinds of details.

Ms. Caplan: No.

Mr. Wildman: Do you agree with the characterization by the Premier of the conflict-of-interest guidelines as useless?

Ms. Caplan: I agree with everything my Premier says.

Mr. Wildman: Do you also agree that the guidelines the Premier described in that way are his guidelines?

Ms. Caplan: I cannot speculate on what the Premier thinks.

Mr. Wildman: He said that before the committee.

Ms. Caplan: Then you know better than I do.

Mr. Wildman: You do agree that they are, in fact, this new government's guidelines.

Ms. Caplan: I agree they are the guidelines we have been operating under and therefore they are our guidelines as of this time. They are being reviewed.

Mr. Wildman: They were the guidelines that were changed by this government and accepted in September.

Ms. Caplan: To the best of my knowledge.

Mr. Wildman: I would like to amend my earlier request. I asked if you could get us, as close as possible, the dates when you met with Mr. Fleischmann. If it is possible--and if it is not, fine--in that process could you go back to May 2, 1985?

Ms. Caplan: Yes.

Mr. Wildman: When, if ever, did you become aware that your husband was involved in negotiations between Wyda and IDEA?

Ms. Caplan: In his testimony when he was talking to Mr. Bell.

Mr. Wildman: Before the committee or when you met with each other?

Ms. Caplan: When Mr. Bell interviewed him.

Mr. Wildman: Fine. I appreciate your description of the business and personal relationship between you and your husband before the committee, but I want to go back to one question I asked earlier. Given what I think you called your contemporary relationship, do you think that in any way removes your responsibility to be aware of any possible conflicts that might involve you or a member of your family?

Ms. Caplan: My husband and I have had separate and independent

careers for 15 years. Our marriage is based on confidence, trust and a lot of affection. It would have damaged our relationship for me to check up on him or even to suggest that was a requirement. I never felt for a moment that he had not complied, that he was not seeking advice and that he would not do what he originally told me, which was whatever was necessary to allow me to serve. I cannot answer your question.

Mr. Wildman: Did you feel at any time it would be useful for the two of you to discuss the guidelines and his interpretation of them so you could ensure that you both had a similar interpretation?

Ms. Caplan: No. I knew he was seeking advice from Mr. Wright, and I thought that was the appropriate place for him to get advice. He assured me he was following that advice. Mr. Wright has testified he did follow that advice, and I felt that was the appropriate process and one that would not interfere with our relationship.

Mr. Wildman: You indicated earlier that in your meetings with Mr. Fleischmann you did not discuss Wyda or IDEA. Can you confirm for the committee that at no time was the fact that the IDEA Corp. was going to be wound up ever mentioned either in a personal meeting with Mr. Fleischmann or at a social gathering when other people were present as well as Mr. Fleischmann?

Ms. Caplan: The answer to your question is that I absolutely did not discuss that with anyone. I took an oath of office, and in the year I have been a member of the government, I have never breached that oath.

1:50 p.m.

Mr. Wildman: I have one final question. At the time Management Board was discussing the administrative changes that would have to take place after IDEA was finished and its responsibility for innovation investments was turned over to the Ontario development corporations, did you not consider that it might be unwise, considering the circumstances surrounding the whole affair, for you to be participating in that discussion by Management Board?

Ms. Caplan: At the briefing on the Monday, I was particularly aware of exactly that question. That is why I remember so well what was dealt with and discussed. If the question had not been raised in the House, my only knowledge at that point was that my husband would benefit in no way. It was administrative. It had nothing to do with approval of any applications or the corporation at all, and no, I would not have had any problem with it.

Mr. Wildman: Finally, if after all the considerations by John Black Aird and others of the conflict-of-interest guidelines and how they might be made better, you are asked for advice--and you have said you would like to be --do you believe the question of looking bad should in any way be involved in the new conflict-of-interest guidelines?

Ms. Caplan: It is my belief that, as politicians, we always have to be concerned with our actions and what we do and how people see what we do. That is our role as politicians. The question I would put before you is whether for our nonpolitical spouses, who are not politicians, we should expect them to have the same political acumen, the same political sophistication that we, as politicians, expect of ourselves. I hope the guidelines and whatever process comes out of that will realize there is a difference between a politician and a politician's spouse, who is not a politician.



Mr. Wildman: At this point right now, until that process is changed, the final arbiter, as has been referred to in the committee, of whether there is a perception of conflict or possible conflict is the Premier, is it not?

Ms. Caplan: That is what he said before this committee.

Mr. Wildman: Right. Thank you.

Mr. Chairman: Before we go on with our next questioner, it is apparent that we are not going to be able to complete Ms. Caplan's testimony before two o'clock that was our initial deadline. What is the wish of the committee? Would we like to go beyond and complete Ms. Caplan's testimony today? We cannot?

Mr. Pope: We very clearly expressed that we were not going to go beyond two.

Ms. Fish: I understand there is a hard cap on today's time. Would it be possible for Ms. Caplan to return, perhaps for an hour on Monday, to complete the questioning?

Ms. Caplan: If that is the wish of the committee, of course I will do that. Is there no way we can complete this today?

Mr. Chairman: There was an indication prior to this time being set that some members had to make travel arrangements to be back in their ridings. Because of those commitments, that was the intent of the 2 p.m. deadline. To go beyond that, we would require unanimous consent.

I have Ms. Fish and Mr. Philip, and Mr. Bell has some wrapup questions; so does Mr. Pope. Therefore, there is no way we are going to complete it.

Ms. Caplan, if you do not have any problems with that, perhaps we should look at your appearing before us at 10:30 on Monday morning.

Ms. Fish: Can we start off on Monday with your testimony so that we can complete it?

Ms. Caplan: I will be here.

Mr. Chairman: We have a request from our counsel. I ask members of the committee if we could meet at 10 o'clock. Is that going to be possible for members of the committee? Let us say 10 o'clock, because we will start at 10:15, in camera.

Ms. Fish: For an in camera session?

Mr. Chairman: For an in camera session: 10 o'clock Monday morning. We will adjourn at this point. You cannot leave your material here. We are in room 228 on Monday.

The committee adjourned at 1:55 p.m.



STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

MONDAY, JULY 21, 1986

Morning Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Runciman, R. W. (Leeds PC)

VICE-CHAIRMAN: Gillies, P. A. (Brantford PC)

Epp, H. A. (Waterloo North L)

Ferraro, R. E. (Wellington South L)

Gregory, M. E. C. (Mississauga East PC)

Harris, M. D. (Nipissing PC)

Miller, G. I. (Haldimand-Norfolk L)

Philip, E. T. (Etobicoke NDP)

Pope, A. W. (Cochrane South PC)

Smith, D. W. (Lambton L)

Wildman, B. (Algoma NDP)

Substitutions:

Fish, S. A. (St. George PC) for Mr. Harris

Polsinelli, C. (Yorkview L) for Mr. D. W. Smith

Smith, E. J. (London South L) for Mr. Ferraro

Ward, C. C. (Wentworth North L) for Mr. G. I. Miller

Clerk: Arnott, D.

Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Shibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

Witness:

Caplan, E. (Oriole L)

LEGISLATIVE ASSEMBLY OF ONTARIO  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, July 21, 1986

The committee met at 10:59 a.m. in room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

Mr. Chairman: I am going to ask the committee members and witnesses who appear before us today to speak up, please. We will attempt to keep the air-conditioner running. Please speak directly into the mike.

Ms. Caplan, welcome back to the standing committee on public accounts.

Ms. Fish: Good morning, Ms. Caplan. I want to go back over a couple of things that related to the August 6, 1985, letter on Damaza Consultants' letterhead. That is at tab N15 in the black binder. If I understood your earlier testimony correctly, you indicated that was typed in your office.

Ms. Caplan: The answer to that is that I have knowledge today that it was. At the time, I did not have any knowledge of this letter.

Ms. Fish: You did not receive the letter in the sense of having it put in front of you to read as correspondence addressed to you?

Ms. Caplan: No, I have no recollection of that at all.

Ms. Fish: You did not know the contents of the letter?

Ms. Caplan: That is correct. I did not.

Ms. Fish: Can you tell me why the letter was on file? Why was it sent?

Ms. Caplan: I do not know. It is my understanding it was not sent, from the testimony that has been given.

Mr. Wildman: A draft was sent; the original was not, apparently.

Ms. Fish: Is it your view that this letter set out the arrangement as of August 6, 1985, between your husband and Wyda?

Ms. Caplan: I have no view on that. I had no knowledge of this letter.

Ms. Fish: I will move to questions surrounding your filing and amended filings on conflict of interest. Last day, under questioning by my colleague the member for Cochrane South (Mr. Pope), you indicated you did not have signing books at the time. There was a question about seeing material and you said you did not have signing books. Even in the absence of signing books, was it your habit to sign correspondence without examining any backup material it related to?



Ms. Caplan: Occasionally, that does happen. Now the practice is that the correspondence is placed before me.

Ms. Fish: Are you telling us that the correspondence that would accompany your cover letter on a filing was not in front of you or that it was in front of you but you did not examine it?

Ms. Caplan: No. If you are referring to the letter from Mr. Wright regarding my own disclosure--

Ms. Fish: Your signed replies on filing. I can find the tab.

Ms. Caplan: I think I said on Friday that I closely scrutinized my own filing, as I had given clear directions to divest immediately upon entering cabinet all my own holdings, directions to see I was no longer involved with the company.

I would like now to clarify for the record an answer I gave to Mr. Pope on Friday that I did not recall specifically. I checked with my lawyer over this weekend. The direction was given to him at the end of June. The minute book shows that I signed. For my recollection, he reminded me that within two weeks of that direction, I had signed both the minute book and the formal letter of resignation and they then proceeded in the normal course of legal offices to register. There are minute books and everything is available to that effect.

The letter that I signed--I closely scrutinized my own holdings and ensured that my instructions had been carried out regarding my own holdings.

Ms. Fish: Just so I am clear, you went through the accompanying material that would have been conveyed behind your letters that would indicate the filings, but examined it only for your own entry and not for that of your husband. Is that what I understand you to say?

Ms. Caplan: No. At that point, I examined the documentation. As I think I stated on Friday, I examined this document, the letter to Mr. Wright, and the accompanying information regarding both my holdings and my husband's filings as well, the disclosures, and made sure they were correct.

Ms. Fish: So you did examine the entire package, not just the entries that were next to your name.

Ms. Caplan: I examined the package that related to my filings as required.

Ms. Fish: On the matter of the earlier period, July 1985 through August 1985, I believe I understood you to say you had directed that your staff not bring matters relating to conflict of interest directly to you and that they deal instead with your husband. Did I understand that correctly?

Ms. Caplan: My direction to them was in relation to his filings and the mechanics of my own filings. I gave the directions and divested of my shares in accordance with what I believed the guidelines would be. I gave direction to divest from my registered retirement savings plans. I gave direction to divest my interest in my husband's company, the share I held. I gave all those directions. I further saw to it that my husband was directed and sought advice as to how to comply regarding his holdings. It was in that

context of the mechanics of following through, as one would direct a lawyer, an accountant and a stockbroker to comply regarding his own holdings.

Ms. Fish: I am thinking particularly of the correspondence that you indicated you similarly did not see. It generated quite a bit of discussion the last day. That is the July 8 correspondence from Mary Eberts. What is the tab on that, counsel?

Mr. Bell: Tab N-10.

Ms. Caplan: By the date of that letter, I had already given directions regarding my own holdings to the lawyers, the accountants and the stockbrokers, to ensure my own compliance. I did not see this letter because it related not to my holdings but to my husband's and to his compliance. I stated that I wished I had seen this letter because it contains political advice that would have generated further conversation. I believe the only reason I did not see this letter was that it related to the mechanics as opposed to specific instructions.

Ms. Fish: To come back again, the answer is that it is correct you did not see the letter and by that date you had already given your staff instructions to deal directly with your husband in such matters?

Ms. Caplan: In matters that related to him.

Ms. Fish: In matters that related to his compliance as part of the requirement that you as minister comply with the conflict-of-interest guidelines?

Ms. Caplan: In matters that related to him and his business dealings, for his compliance under the guidelines.

Ms. Fish: Did you agree that he was required to comply because he was your spouse and because you were a minister?

Ms. Caplan: The guidelines, as you know, require the spouse of a minister to comply.

Ms. Fish: Therefore, his required compliance was as your spouse. Had you not been a minister, he would not have been required to comply.

Ms. Caplan: That is correct. If I were unmarried, I would not have a spouse who had the requirement to comply.

Ms. Fish: The requirement for compliance flows through your appointment as minister. Do I understand correctly that you delegated the responsibility of complete compliance, which in this case involved compliance by your spouse, to your spouse and your staff?

11:10 a.m.

Ms. Caplan: I delegated no responsibility regarding my own compliance. I was assured by my spouse that he would comply and would do everything necessary to comply. I saw to it that he was directed to the person in the Ministry of the Attorney General with that responsibility, that he sought advice. In fact, over the period of the past year, on numerous occasions, he reconfirmed and told me he was receiving advice and complying with that advice.



Ms. Fish: But you did not examine any of the materials to assure yourself that that compliance was occurring?

Ms. Caplan: The materials I examined were those that related to the disclosures and to the forms that you have referred to earlier.

Ms. Fish: But not to any other correspondence that may have been held in the file or any other materials that would assure you as minister that you, in the fullest sense, were complying with the guidelines, including the requirement of the guidelines that your spouse came under?

Ms. Caplan: Anything that related to me specifically and my holdings and my disclosures as well as to the disclosures of my spouse, I did examine. I did not examine anything that related to his business holdings after that date. I relied upon the fact that he was receiving advice, the advice that he was being given and his assurance to me that he was complying, which, in fact, he did.

Ms. Fish: Just so that I understand it then--and forgive me for restating it once more--you did not examine any of the materials other than the holdings disclosure material that dealt with the question of your spouse complying with the conflict-of-interest guidelines?

Ms. Caplan: That is correct. For example, the further letter that he sent amending the disclosure with his new interest in Taurus Metal Trading, I examined that as well; anything that was brought forward for the purpose of disclosure.

Ms. Fish: But not in relation to the contract obligations with Wyda?

Ms. Caplan: That was not made available to me until--I do not recall the exact timing as we discuss--I believe it was in the spring.

Ms. Fish: To the best of your recollection, you did not ask to see any of those? Let me simply share with you that my understanding of a similar line of questioning from another member of this committee, Mr. Wildman, elicited a response to the effect that, had you made those direct inquiries, had you asked to see those documents or made those direct inquiries--I have made a note of it; this might not be an exact quote, but my note was something to this effect--"that," i.e., such inquiries, "would have interfered with our personal relationship."

Ms. Caplan: I am not sure what exact documentation you are referring to.

Ms. Fish: I am referring to any documentation that would have touched upon the question of the contractual arrangements between your husband and Damaza Consultants and Wyda. There is an exchange of correspondence that begins July 8, formally addressed to you from Mary Eberts, which touches upon that, and you have indicated that you did not see that. There is material typed in your office that rested on file addressed to you from your husband on Damaza letterhead and there was subsequent material correspondence from your husband--I think they were in subsequent filings on that--and exchanges with Wyda Corp. on the amended contract.

Ms. Caplan: I am not sure specifically what your question is.



Ms. Fish: The relationship of your husband to Wyda clearly was a part of a question mark early on on compliance with the guidelines. If I understand your testimony correctly--and I want to make sure I am understanding it--what you examined that touched upon your husband was the issue of his stock holdings. You did not examine the material related to his contract or agreement or relationship with Wyda.

Ms. Caplan: I think the answer to that is that I fully examined all of the documentation that related to my holdings, my filings and his filings. He assured me he would seek advice from whence he was directed to seek advice and would comply with that advice. He assured me throughout the period of the year that he was seeking advice and did follow that advice. That evidence is before this committee, and I believe that is the correct answer.

Ms. Fish: I understand you to say you did not ask to see the copies of the contract or the letters of agreement, nor did you ask for the specific content that might be therein. Your testimony is rather that you asked whether all necessary steps had been taken and were sure they had been, so you did not probe further. Is that correct?

Ms. Caplan: What is correct is that I sought assurance that he was seeking advice. He assured me throughout the year that he was. He continued to assure me he was seeking advice, was following that advice and did follow that advice.

Ms. Fish: Since part of the responsibility for dealing with the correspondence on conflict of interest that may touch upon your husband's business dealings was delegated to your staff, is it your view that your staff was made aware of the July 1985 letter to you from Mary Eberts?

Ms. Caplan: I was not made aware at that time.

Ms. Fish: Your staff.

Ms. Caplan: My staff did not make me aware of it.

Ms. Fish: Were members of your staff aware of the July 1985 letter?

Ms. Caplan: I believe my husband testified that he was read that letter by a member of my staff. Obviously, they were aware but I was not.

Ms. Fish: Is it your understanding that anyone on your staff other than your secretary was aware of that letter?

Ms. Caplan: I do not know.

Ms. Fish: Have you since made inquiries to determine who on your staff was aware of that letter?

Ms. Caplan: As you know, there were staff changes in my office. The person who was acting as a special assistant in my office at that time left my employment in the fall and a new executive assistant was hired by me in January 1986. To the best of my knowledge, no one on my staff at this time has knowledge of that correspondence.

Ms. Fish: No one on your staff at present had knowledge of the July 8, 1985, correspondence until it was made public through the vehicle of this committee?

Ms. Caplan: That is correct.

Ms. Fish: No one on your staff previously who might have had knowledge brought the correspondence to your attention?

Ms. Caplan: That is correct.

Ms. Fish: I have no further questions.

Mr. Wildman: Ms. Caplan, you indicated last week that you would review your diary appointments and be able to come up with a list of the times you had met with Mr. Fleischmann?

Ms. Caplan: Yes, I believe that has been made available to counsel.

Mr. Wildman: Do we have that?

Mr. Bell: I am sorry?

Mr. Wildman: Do we have the list of the times Ms. Caplan met with Mr. Fleischmann?

Mr. Bell: Yes, I was given the document this morning. Do you want me to read that?

Mr. Chairman: Yes, go ahead.

Mr. Bell: I was going to ask Mrs. Caplan about this but I will save time by reading it. The records of Ms. Caplan and those of her office reviewed recently indicate the following entries: Tuesday, August 13--I presume this is 1985.

Ms. Caplan: Yes.

Mr. Bell: It has to be 1985--it only feels like August 13, 1986. It says, "dinner with Fleischmanns." The dinner was at a restaurant?

Ms. Caplan: Yes, it was.

Mr. Bell: Tuesday, August 20, "meet with Ivan Fleischmann (minister's office)." Presumably, that was your office.

11:20 a.m.

Ms. Caplan: Yes. I have no recollection of that meeting. I do not know whether it was cancelled. I just say to you I do not recall that.

Mr. Bell: Okay. The next entry is Tuesday, December 10, "lunch with Ivan Fleischmann (executive dining room)." A member of your staff indicated to me that might have been cancelled.

Ms. Caplan: Again, I have no recollection of that specific meeting and I believe--

Interjection: Yes, it was.

Ms. Caplan: Was it cancelled? My staff would know.

Mr. Bell: To the person who gave me this, is the information that it was cancelled? It was. Your staff informs me it was cancelled.

Ms. Caplan: It was. If my staff informs you it was cancelled, it was cancelled.

Mr. Bell: The last entry is Monday, January 13. This is 1986. It says, "breakfast with Ivan Fleischmann," again at a restaurant.

Ms. Caplan: A staff member was present. I believe that was the breakfast referred to earlier where a member of my staff--and I believe I mentioned Beth Gulyas was present.

Mr. Wildman: Sorry. What was the date of that?

Mr. Bell: January 13. These are the only entries we have.

Mr. Wildman: To the best of your recollection, other than those meetings that have been noted and the couple that were apparently arranged and may have been cancelled or were cancelled, you did not meet with Mr. Fleischmann other than the breakfast? Was it two breakfast meetings about fund-raisers for the riding association?

Ms. Caplan: My understanding is that he was there. Again, let me correct the record, Mr. Chairman. Further to the question that was raised, I have checked with my riding association and it has informed me that, in fact, there was no contribution made by either Mr. Fleischmann or his company to the riding association before the writ period, during the writ period in 1985 or subsequently in 1986.

Mr. Wildman: Do you have records or does your staff--for instance, your executive assistant--have records of meetings with Mr. Fleischmann at which you were not present?

Ms. Caplan: That is possible. I have no direct knowledge of meetings. It is possible that if he called, he may have been referred to staff. It was my practice that anyone who called the office was referred to the staff if they had any questions.

Mr. Wildman: We will be discussing Mr. Fleischmann's records as well. I do not have any further questions.

Mr. Chairman: Ms. Caplan, I have a couple of quick questions I would like to ask you. You have mentioned your secretary dealing with the correspondence in respect to conflict of interest. Can you recall for the members of the committee the specific instructions you gave to your secretary in respect to this kind of information? You said this was going to be Wilf's responsibility. How did you direct your secretary to handle that material?

Ms. Caplan: I do not think I ever used the term "this will be Wilf's responsibility." I think my direction was that on matters that related to me or anything that had to do with my responsibility for disclosure that had come, that I would see those, which is the reason the letter from Mr. Wright, the filings and so forth, were brought to me. The direction I believe I gave--and it is very difficult, as you can understand, to try to remember conversations that took place over a year ago--was to direct to him that which related to him, his compliance and his obligations to comply.



Mr. Chairman: What about in the instance--and we have had only one cited here--where the secretary handled some personal correspondence on Damaza letterhead? Did you ever discuss that with her in respect to handling requests from your husband to deal with his personal business?

Ms. Caplan: Not that I recall. My recollection is that I directed her to speak directly to him on matters that related to him.

Mr. Chairman: Have you or any members of your family, or firms with which you have been associated, ever been indebted in a financial way to Mr. Fleischmann?

Ms. Caplan: To the best of my knowledge, no, we have not.

Mr. Chairman: I may have a couple of questions later. We will move on to Mr. Gillies.

Mr. Gillies: Ms. Caplan, you appear to be contradicting testimony you gave on Friday about Mr. Fleischmann's attendance at these fund-raising breakfasts. I just wonder if we could clear that up. Last week you said he attended an unspecified number of these at \$250 apiece. Now you are saying he made no contribution to your riding association.

Ms. Caplan: What I said was that I believe he attended two, the first one in the fall and possibly the last one, although I do not remember everyone who attended. I was asked the question, "Did he make a contribution?" At that time, my understanding was I thought he had. In fact, he did not and I can only presume he was there as someone's guest.

Mr. Gillies: Do you keep attendance lists of those breakfasts or just merely the list of people who actually make the contribution?

Ms. Caplan: I do not keep any attendance lists.

Mr. Gillies: The association.

Ms. Caplan: My understanding of the practice of the association is that it issues receipts for donations received.

Mr. Gillies: Just going from memory, your recollection is that he was in attendance at some of them.

Ms. Caplan: Going from memory, my recollection is that he did attend two.

Mr. Gillies: Okay. During the last year, have you ever discussed the application of the Wyda Corp. with your colleague Hugh O'Neil? Has that ever come up?

Ms. Caplan: No, I have not.

Mr. Gillies: Has he raised it with you?

Ms. Caplan: No, he never did.

Mr. Gillies: You have not raised it with him?

Ms. Caplan: No, never.

Mr. Gillies: Were you aware that Mr. O'Neil met with Mr. Fleischmann in July of last year?

Ms. Caplan: No, I was not aware of that.

Mr. Gillies: What is your understanding of the dealings between your staff and Mr. Fleischmann? The committee will have an opportunity to ask Mr. Fleischmann about this, but as you are here, I wonder if you can tell us if you were aware of the contacts that were ongoing apparently between Mr. Webster and Mr. Fleischmann and what your understanding was of the nature of those contacts.

Ms. Caplan: My direction to my staff was that anyone who contacted my office with legitimate questions should be treated the same as anyone else. I think the term I would like to use is that no one in my office should be accorded preferential treatment of any sort. As far as any ongoing contact, I would have no knowledge of the specifics.

Mr. Gillies: Okay. I would like to ask you again, and I am sorry if you gave some of this to us on Friday, but I want to go over it. The dinner you had on August 13 of last year becomes rather important in my mind simply because of a sequence of events. The Wyda application was submitted to the IDEA Corp. on August 12, 1985. Your dinner with Mr. Fleischmann was on August 13. Then Mr. Fleischmann met with Peter Barnes, the Assistant Deputy Minister of Industry, Trade and Technology on August 14. Just because of that apparent coincidence, I wonder again if you can tell us your recollection of the conversations held that evening on August 13 and whether Wyda, the application or Mr. Caplan's business dealings were discussed at all?

11:30 a.m.

Ms. Caplan: To the best of my recollection, I can tell you that no business dealings whatever with the Ontario government were discussed at that dinner. I remind you again of the fact I was not even aware of the name of the company.

Mr. Gillies: I believe this was your testimony, but just to be sure of this, you joined Mr. Fleischmann and your husband for dinner and they had been meeting prior to the dinner starting?

Ms. Caplan: No, that is not correct.

Mr. Gillies: I am sorry.

Ms. Caplan: There were, I think, eight people. To the best of my recollection, there were eight people present at the dinner in a restaurant in Toronto. It was a social evening and no business was discussed, to the best of my recollection, relating to any business.

Mr. Gillies: I have just one or two other points to wrap it up, Mrs. Caplan. You mentioned a dinner at your home, I believe. Is it correct that Mr. Fleischmann attended?

Ms. Caplan: I do not think he attended a dinner at my home in the last couple of years.



Mr. Gillies: I am sorry. It it may have been in a restaurant then. I am just trying to recollect, if I have time to look at my Hansard, but it was the dinner you mentioned that the Eggletons attended and several other people. Was that the one at the restaurant?

Ms. Caplan: Yes.

Mr. Gillies: That is the same date. Thank you.

Mr. Philip: I just have a couple of questions, because as a cabinet minister, I would like some of your understanding of the testimony in terms of the Davis guidelines versus the Peterson guidelines. The Premier (Mr. Peterson) in his testimony and in statements he has made to the press basically has indicated that the present guidelines, the guidelines which he brought in, are inadequate.

I wonder, since you have gone over the testimony, if you would agree that both Mr. Carman and Mr. Wright have stated that the guidelines were the result of Mr. Peterson's concern that people with substantial business interests might be discouraged under the Davis guidelines from entering politics, and, therefore, the new guidelines were an attempt to ensure that people with substantial business interests were not discouraged from entering politics or of being cabinet ministers. Would you agree with that, that that is what both Mr. Carman and Mr. Wright have indicated?

Ms. Caplan: I cannot speculate as to what the Premier specifically had in his mind or, to the best of my knowledge, what led to the changes, except with the testimony that has been given, and that is I think there was some concern, for example, that farmers should not be excluded by the nature of being a farmer from assistance programs made available by the government. I believe that there was some concern perhaps that business people should also not have that same, I guess, restriction. That may have been the reason for the exclusion. I cannot speculate.

Mr. Philip: Would you agree that that is what Mr. Carman and Mr. Wright have speculated or stated?

Ms. Caplan: I think Mr. Wright also said that in his view there were some problems with the guidelines as they had been previously written and that the changes that have been referred to as the amendments were a result of his advice on problems with the guidelines as they existed before September 1985.

Mr. Philip: You mentioned farmers, and I think that is kind of a red herring. I doubt that anybody would find a conflict in that situation, any more than buying Ontario health insurance plan would be a conflict to the Minister of Health (Mr. Elston).

Would you agree that the Davis guidelines defined share ownership as out of bounds, whereas the Peterson guidelines provided that they were not out of bounds, that they could simply be put in a blind trust.

Ms. Caplan: It is my understanding that share ownership was permitted if it was in a blind trust. I remind you that I divested of all of my shares and did not use the blind trust provision.



Mr. Philip: I recognize that. I am just trying to get your understanding as a member of the cabinet of the Davis guidelines compared to the Peterson guidelines. Mr. Peterson has been claiming that the present guidelines are inadequate. Do you agree that the Peterson guidelines allow for a test by which a conflict of interest will not take place if the contract with the government is open to others; in other words, the test will not be the fact of interest and a contractual arrangement with the government, but rather preferential treatment?

Ms. Caplan: I believe Mr. Wright testified to that effect in his testimony. May I suggest again, without in any way wanting to speculate, that as you are aware the Premier asked Mr. Robinette some time this spring to conduct a review and perhaps that was one of the reasons.

Mr. Philip: Do you not find it unusual that as part of his argument in the present situation Mr. Peterson says that unfortunately the guidelines are inadequate, when if we go through the items I have discussed with you, Mr. Peterson has weakened the Davis guidelines and they are not as severe as they were under the former Premier?

Ms. Caplan: I cannot speculate on a comparison between the two. I believe, and I believe it is charged to Mr. Aird, that the statement the Premier made in the House raised some important questions that have to be dealt with in the whole issue of guidelines. There are many other questions that should be dealt with and Mr. Aird, in his wisdom, will do that.

Mr. Philip: Is the fact that he is sending it to Mr. Aird not an admission that when he weakened the guidelines, he erred, and that they have to be looked at because they are not encompassing enough, that his guidelines went in the wrong direction?

Mr. Wildman: That is spelled e-r-r-e-d.

Ms. Caplan: I do not agree with that. I suggest that the guidelines drafted in 1972 were attempted to be brought up to date over a short period of time from June 1985 to September 1985. I suggest that the fact we now are in 1986 and live in a very different society than we did in 1972 requires that kind of intensive review of the guidelines to ensure that we can have the broadest possible participation in our political system, that people can participate, that there is public confidence, that there is no preferential treatment, that people do not benefit financially and that the guidelines are clear.

Mr. Philip: It seems to me that the Aird inquiry is an admission of the Premier's failure in 1985 when he brought in his new guidelines.

Mr. Chairman: Ms. Caplan, I have a few quick questions before we ask counsel to wind up the questioning. You mentioned earlier about your dinner with Mr. Dobzinski and the fact that you did not have many opportunities to see your husband because you were becoming accustomed to your portfolio and so on.

In the past, your husband had a somewhat similar role with PEC Financial Corp. Of course, you had more time as an alderman for North York. On any occasion, do you recall doing that sort of thing with your husband, having dinner with clients?

Ms. Caplan: Yes, absolutely.

Mr. Chairman: It was a frequent thing and you did not see anything inappropriate about dinner that evening.

Ms. Caplan: Not at all. Over the years, there were social evenings and dinners with many of his clients and partners where business was usually not discussed and when it was strictly a social event. It was not at all unusual.

11:40 a.m.

Mr. Chairman: If a similar situation occurred again and you were in a cabinet role, would you still have the same approach?

Ms. Caplan: In a social environment, I would have no difficulty socializing with my husband and having dinner. I think the test of that is whether or not business is discussed and if there is any discomfort. If I was ever in a situation in the future where I was in a social environment where business was discussed, I would immediately remove myself.

Mr. Chairman: I think Mr. Gillies was asking a question about Mr. Webster meeting with Mr. Fleischmann on a number of occasions and a Miss or Mrs. Gulyas, who is also a member of your staff.

Ms. Caplan: Yes.

Mr. Chairman: You indicated you had no knowledge of those meetings?

Ms. Caplan: I had no specific knowledge of specific meetings. Anyone who called my office was directed to staff, as I think is normal practice in a minister's office.

Mr. Chairman: What you are saying is you did not know those meetings took place, you did not know what was discussed and you did not know the outcome of any of those meetings? Your staff never made reference to those meetings?

Ms. Caplan: That is correct, unless there was something specific to my ministry or information I should have in order to make a decision or a recommendation that would be required from me as to where to refer. I do not recall that as ever being the case.

Mr. Chairman: If it was not specific to your ministry or specific to your riding, were you still encouraging your staff to meet anyone who made an inquiry dealing with the government at large? Did you have an open-door policy? Is that what you are suggesting?

Ms. Caplan: I had an open-door policy.

Mr. Chairman: You had no guidelines for your staff with respect to the kinds of people they should be meeting and the kinds of questions and issues with which they should be dealing?

Ms. Caplan: The guidelines for my staff were that they should show no preferential treatment to anyone. Anyone who called should be referred to the appropriate ministry. If they had a request or a question that related to my ministry, they should seek out that information; and before they gave



specific advice or information relating to my own ministry which required a decision from me, I should be informed only at that time.

Mr. Chairman: What role does Ms. Gulyas perform in your office?

Ms. Caplan: She is a senior policy adviser relating to Management Board and the human resources secretariat and she is a legislative assistant.

Mr. Chairman: Can you suggest to the committee what your executive assistant and the senior policy adviser would be discussing with Mr. Fleischmann that would not come to your attention?

Ms. Caplan: I cannot speculate.

Mr. Chairman: You suggested earlier in your testimony with respect to your secretary that she had some advice offered with respect to conflict-of-interest concerns related to your husband, which was that those would be dealt with by your husband. Was there any guidance offered to other senior staff with respect to dealings that had any connection with your husband, indicating that was simply between staff and whomever and you did not wish to be involved?

Ms. Caplan: Can you repeat the question? I am not sure exactly what you are getting at.

Mr. Chairman: You have indicated that any concerns respecting conflict that dealt with your husband would be dealt with by your husband and your staff was not going to bring that to your attention. That is the indication that has been given.

Ms. Caplan: I think the direction that was given was that any matters relating to my husband's compliance regarding his own business disclosures and dealings would be directed to him.

Mr. Chairman: They were not going to bother you with that sort of thing. I am wondering if that went beyond your secretary to other members of staff who might have dealings with individuals who had no real direct relationship to your ministerial or riding responsibilities. For the sake of speculation at this stage, since you cannot indicate to us what those conversations were all about, was there additional direction to staff, beyond the secretary, that you had no interest in matters that may have some relationship or association with your husband's business dealings and so on?

Ms. Caplan: To the best of my knowledge, my staff had no knowledge of my husband's business dealings.

Mr. Chairman: To the best of your knowledge. At this stage, you cannot provide the committee with any answers as to why your executive assistant and your senior policy adviser met with Mr. Fleischmann on April 7, which I might indicate was the same day Mr. Fleischmann sent his \$30,000 bill to Wyda. You cannot indicate to the committee any reasons for that meeting or what was discussed at that meeting?

Ms. Caplan: That is correct.

Mr. Ward: I have a couple of brief questions in regard to your testimony concerning your secretary's involvement with correspondence related



to your husband. I take it that involvement was limited to correspondence related to the filings.

Ms. Caplan: That is correct.

Mr. Ward: And other than that, scheduling.

Ms. Caplan: That is correct.

Mr. Ward: In fact, those did have an interrelationship to your position and your responsibilities as minister in terms of the filings.

The second question flows from Mr. Philip's questions about the difference between the 1972 guidelines and the 1985 guidelines. Regardless of whether you operated under the 1985 guidelines or the 1972 guidelines, would anything have changed in terms of how the filing was done or how your husband carried on business? Obviously, you cannot run a consulting business as a blind trust.

Ms. Caplan: It is my understanding that we complied with the 1972 guidelines.

Mr. Ward: That is all, Mr. Chairman.

Mr. Bell: Mrs. Caplan, I want to cover off some matters in regard to diaries and when certain members of your staff joined your staff--John Webster in particular. First of all, did you receive from my office a copy of certain chronological excerpts from Mr. Fleischmann's diary?

Ms. Caplan: Yes, I did.

Mr. Bell: Have you had an opportunity to review those entries as they relate to you, your staff and your husband?

Ms. Caplan: Yes, but I must say to you, Mr. Bell, I do not recall the specific dates.

Mr. Bell: I am not so much interested in that, but following up on one of the chairman's questions, can you confirm that wherever there are entries referring to your staff members, either past or present, in Mr. Fleischmann's diary, you made inquiries to determine whether and to what extent matters were discussed?

Ms. Caplan: That is correct.

Mr. Bell: I understand your evidence is that for any of the entries that can be found in the excerpts your staff have advised you that nothing was discussed that had relevance to Wyda and/or IDEA Corp.

Ms. Caplan: That is correct.

Mr. Bell: There is an entry in that chronology of December 12, 1985, which relates to Mr. Webster. The entry is "John Webster, EA--Elinor." When did Mr. Webster join your staff?

Ms. Caplan: After January 1. I think January 15 was the actual date.

Mr. Bell: On December 12, where was Mr. Webster?

Ms. Caplan: He was employed in the offices of Ken Keyes, Solicitor General and Minister of Correctional Services.

Mr. Bell: Do you have any specific knowledge of such a meeting between Mr. Webster and Mr. Fleischmann on December 12?

Ms. Caplan: No, I do not.

Mr. Bell: Do you know whether Mr. Webster does?

Ms. Caplan: He said he does not.

11:50 a.m.

Mr. Bell: You were asked the question whether at the four meetings you had noted in your records for Mr. Fleischmann anything relating to Wyda and/or IDEA was discussed?

Ms. Caplan: I can state categorically that nothing relating to Wyda or IDEA was ever discussed by me or Mr. Fleischmann at any time.

Mr. Bell: Or any member of your staff who may have attended that meeting?

Ms. Caplan: Or any member of my staff that may have attended any of those meetings.

Mr. Bell: There is something I did not ask you about on Friday and I should. Could you turn in the material to tab I, which is a collection of material that your husband provided to the committee? If you turn, by my numbering it is page 7. Specifically, it is a letter of March 3, 1986, from your husband to Blenus Wright. That is followed by a letter from Mr. Wright to your husband, March 5, 1986.

Ms. Caplan: Correct.

Mr. Bell: In the March 3 letter, there are two matters that are up for discussion. One is a piece of property in God's country near Huntsville.

Ms. Caplan: Yes.

Mr. Bell: Which you have a beneficial one-third ownership of?

Ms. Caplan: Yes.

Mr. Bell: As for that part of the letter and the content, did you have any prior discussions with your husband before he sought Mr. Wright's advice?

Ms. Caplan: I did not discuss--no, actually, I did not.

Mr. Bell: Were you aware that he was seeking the advice in this specific or in any related way of Mr. Wright around this time?

Ms. Caplan: I knew he was seeking advice from Mr. Wright on all kinds of matters that related to him and had throughout the course of the year. I was not aware that he was seeking this specific advice.

Mr. Bell: The second part is the matter of, as of March 3 by this letter, his contemplation of investment in the equity of, we know now that is the Taurus company.

Ms. Caplan: I believe from my reading of this letter, it was-- Can I just review it for a minute?

Mr. Bell: Certainly.

Ms. Caplan: I believe Taurus had already been established or was established about this time and that Taurus Metal was considering the purchase from this letter.

Mr. Bell: Whatever the chronology is in regard to Taurus, your husband has indicated that the second part of this letter seeking advice related to Taurus.

Ms. Caplan: Yes.

Mr. Bell: And the implications of the guidelines as for Taurus. Did you discuss any matter relating to Taurus with your husband before he sent this letter to Wright?

Ms. Caplan: No.

Mr. Bell: Let us deal with them one at a time. If you turn to page 9 of this material, it is Wright's letter to your husband, answering his inquiries. Did you discuss at all with your husband anything with respect to the advice Wright gave as for the Huntsville property?

Ms. Caplan: After this time?

Mr. Bell: At any time after your husband received this letter.

Ms. Caplan: Yes, I did.

Mr. Bell: When was that?

Ms. Caplan: I would say it was within a few weeks--I cannot pin down the date--of having received this particular piece of advice.

Mr. Bell: Before or after June 10?

Ms. Caplan: Before.

Mr. Bell: Did you discuss any aspect of the advice he received in this letter under part 2, i.e., the Taurus matter?

Ms. Caplan: I do not recall that we discussed that.

Mr. Bell: Were you aware of this advice at any time before today with respect to the Taurus matter--I guess, in fairness, before this committee inquiry started, some time earlier this month or whenever it was?

Ms. Caplan: I do not recall specifically being aware of this advice. I just do not recall.



Mr. Bell: Okay. You know now that Wright's advice to him was that even though he might take an equity position in Taurus, Taurus would still be eligible for an Ontario Development Corp. grant if it was approved, and that would not contravene the guidelines.

Ms. Caplan: Is that on page 3?

Mr. Bell: Yes. Let me help. You read page 3 and then you flip back to the comments that he makes about "anything that might be available in the area of a tourist facility." That is when he gives that advice.

Ms. Caplan: That relates to the first part under number one that I had knowledge of, and I gave specific directions.

Mr. Bell: I know, but the way you read the advice as for the ODC grant, you have to flip back to the advice Wright gave your husband and/or yourself with respect to the tourist matter. What Wright says is you would be eligible for the tourist matter. Let me put it, in fairness, that if certain provincial grants or loans were received by the tourist facility, even though you had an interest in that, it would not contravene the guidelines because of the exception rule.

Ms. Caplan: I understand that as a result of this letter and the fact that it has been before this committee.

Mr. Bell: Yes. All right. Wright's advice with respect to Taurus and the ODC grant with your husband's equity position is the same, i.e., the company could apply for and receive the ODC grant because of the exception to the guidelines.

Ms. Caplan: What you are saying is that Mr. Wright advised him that he could have direct contact with ODC for the purposes of a loan for a company in which he had equity.

Mr. Bell: I do not think, in fairness, Mr. Wright spoke of direct or indirect contact. He spoke in terms of whether or not an ODC grant was available to the company your husband was contemplating an equity position in, and Mr. Wright confirmed and your husband confirmed he understood the advice was, yes, that company could apply for and receive such a grant because it was permitted by the exception rule.

Ms. Caplan: By the exception rule.

Mr. Bell: Did you understand before today that was the advice he gave?

Ms. Caplan: I believe I read that in the testimony Mr. Wright gave. I am not sure if I recall it from the testimony my husband gave.

Mr. Bell: As one who is subject to the guidelines and is familiar with them, do you have any comment on that advice?

Ms. Caplan: Perhaps I could give you my opinion on that as it relates to number one, which was the piece of property I owned.

Mr. Bell: Okay. Yes.

Ms. Caplan: All right. When I became aware of the advice that had been given regarding my own interest in a specific piece of property, of which I have a one-third interest, I informed the other two shareholders that I wished to divest. Notwithstanding that the exception would permit this, I felt it was only permitted if it was in a blind trust and that if we put my interest in this into a blind trust, it could not be blind trust because it would require an infusion of capital, so it would, therefore, freeze the land. I told them I felt it would be in their interest to buy us out or sell the property.

I believe it was my own view that the clause in the guideline that says a minister should not be involved in a business outside would have applied here and it could have been interpreted that if that property was developed, I would have been in contravention; so I have authorized them and they have agreed to purchase my one-third interest in that property.

12 noon

Mr. Bell: Did you conclude, before making that decision or at any time, that if this tourist facility had received a grant or a loan as described and you had retained a one-third interest, that would have been in breach of the guidelines?

Ms. Caplan: It was my view that if, as a result of any provincial loan, grant, investment, whatever, a business resulted or could be seen to result from that on this piece of property, I would be seen to be conducting a business, and I did not want that. I believe I informed the Premier's office that the property would not be developed as long as I had a one-third interest; further, that no application would be made; and that it was my intention and I had directed to divest immediately. I was informed by my lawyer that the papers were ready for signing.

Mr. Bell: Before you made the decision to divest, did you conclude that if the tourist facility, with your equity position, had received a loan or a grant, it would have been a breach of the guidelines?

Ms. Caplan: The Taurus facility?

Mr. Bell: No. The Huntsville facility.

Ms. Caplan: The Huntsville facility? My concern was that I did not want to be in a position where it would be unclear, and so I decided to divest.

Mr. Bell: Did you form any conclusion whether, if you or your husband had accepted Mr. Wright's advice and interpretation referable to the tourist facility, any actions taken in respect of that advice would have been a breach of the guidelines?

Ms. Caplan: I say to you I never considered that; I considered that I did not want even to be in that position of having to make that judgement. I decided to divest so that I would not have to come to any conclusions.

Mr. Bell: Did you have any discussions with your husband or anybody else respecting an intended application by Taurus for an Ontario Development Corp. grant or loan, whatever form it might take?



Ms. Caplan: I do not recall specifically. My husband may have mentioned to me that he had sought advice from Mr. Wright. I do not recall reviewing this document as it related to Taurus.

Mr. Bell: Do you recall discussing the substance of Mr. Wright's advice as embodied in this document?

Ms. Caplan: I do not recall discussing the specifics, except that my husband may have mentioned--and I am trying very hard to recall this; I did not see this part of the letter--that they could have and that it would not be in breach of the guidelines.

Mr. Bell: Did you conclude anything on your own as to that advice in relation to the guidelines?

Ms. Caplan: No, I reached no conclusion. Mr. Wright was the adviser; he was the one who was most familiar with the exception. I did not myself consider that I would in any way follow any advice regarding the exception. I chose to divest so that I would not have to make that decision. As far as I know, my husband never made an application.

Mr. Bell: No. In fact, he indicated in his testimony that the company had not.

Could you turn to the document you provided the committee with last week, under tab R, Ms. Caplan? I just have one area to deal with on that, page 3 of that document. Do you have item 10?

Ms. Caplan: Yes.

Mr. Bell: Before we begin, was it the intention that the answers to all the questions in the questionnaire applied to both yourself and your husband?

Ms. Caplan: I actually recall going over this with him. This was very early after the change of government and it was my understanding that it related to me, but that he had obligations under the conflict-of-interest guidelines that were explained to him. I think we did this together and ensured that it was both of us who were replying or there would have been two different answers.

Mr. Bell: That is what I am getting at. May the committee take it, when it reviews these answers, that they are intended to apply to the circumstances of both you and your husband?

Ms. Caplan: At the time we filled this out, I believe that was our understanding.

Mr. Bell: Okay.

Will you look at question and answer number 10 on page 3? This is a question that is seeking to determine in the context of your previous answers whether you, as appropriately defined, have "any contract or agreement with Her Majesty," etc., in respect to the last line of the question, "service, work, matter or thing." You have answered for yourself and your husband in the negative. Is the scope of the contract or agreement set forth in that question the scope of the no-contracting provision set forth in the guidelines as far as you and your husband's understanding were concerned?



Ms. Caplan: This was filled out some time in July.

Mr. Bell: When you were a member.

Ms. Caplan: When I was a member.

Mr. Bell: Not July. It was filled out before you were appointed to the cabinet.

Ms. Caplan: That is correct.

Mr. Bell: When you were a member.

Ms. Caplan: That is correct. It is in June.

Mr. Bell: Ms. Eberts's evidence is that a questionnaire of this nature was filled out by some other colleagues of yours. I do not know whether it was everybody, but this was not a unique exercise for you as a member of the Liberal caucus.

Ms. Caplan: That is correct. This was not in relation to serving in cabinet. This was in relation to a member--

Mr. Bell: You see where I am going--no contract or agreement under this question has a scope of "service, work, matter or thing."

Ms. Caplan: That is correct.

Mr. Bell: Is that the same scope you understood applied in the conflict-of-interest guidelines for cabinet members?

Ms. Caplan: The 1972 guidelines?

Mr. Bell: Whatever guidelines you believe you were subject to at any time.

Ms. Caplan: I have not considered that question.

12:10 p.m.

Mr. Bell: My question is really a factual one. This is with specific reference to the cabinet guidelines. When Mary Eberts gave her explanation to you personally or with the Liberal caucus, do you recall, was the scope of "contract" that she reviewed with you and attempted to assist you to understand the same scope that is set out here?

Ms. Caplan: I have difficulty in answering that question because I have never compared the two.

Mr. Bell: After you had your effort with Mary Eberts and you reviewed the guidelines for yourself, as far as you were concerned, was the scope of the no-contracting provisions set out in the guidelines any wider than is set out in this paragraph and in section 10 of the Legislative Assembly Act?

Ms. Caplan: I had a clear understanding of what "no contracting" meant in the guidelines for cabinet ministers. I am not sure I can relate it to this specifically.

Mr. Bell: Is it any different than this?

Ms. Caplan: It uses the term "contractual arrangement," which is not used here.

Mr. Bell: I am talking of the scope of the type of contracts that are intended to be a reference. Is the scope in your understanding of the guidelines any different from the scope as set forth in this question?

Ms. Caplan: I would like to study that matter and look at the other guidelines. I think it is legalistic.

Mr. Bell: It is a very difficult question. That is fair.

Ms. Caplan: Before I answered that, I would want to seek a legal or other opinion.

Mr. Bell: All right. I want to ask you a couple of questions about a matter you touched upon on Friday in describing the relationship between you and your husband in a business context and in a personal context. I understand what you are saying. I believe you used the phrase "a contemporary marriage" once or twice and said you had separate and independent things to do and did not discuss business. In your case, in many ways, you cannot discuss business in the cabinet context.

You are aware, though, because you have had experience at the municipal level, that in a conflict-of-interest context there is a doctrine of imputed interest of the spouse of an elected member. You understand the principle that says, as far as the Municipal Conflict of Interest Act is concerned, your husband's interest is your interest for the purpose of obligations under that act. You are aware of and familiar with that, because you indicated that you exercised certain steps under that act when you were on the North York city council. You are nodding your head to indicate yes.

Ms. Caplan: I am nodding my head. I was also aware because the one thing my husband made me aware of during the time I was on the North York council was that he and his business associates had made a conscious decision not to do any business in North York. Whenever I made a decision at council, it was with the knowledge that, whether I knew what he was doing or not, he had no business dealings in North York.

Mr. Bell: There was also an action pending called Greene versus Borins that dealt with imputed interests that made everybody a little more familiar that they might otherwise have been with that concept. That is just an aside.

You are also aware that when the ministerial guidelines that are relevant to this committee were considered by you, there is a doctrine of imputed interest. In circumstances defined by the guidelines, your husband's interest is your interest.

Ms. Caplan: It was my understanding that I had obligations under the guidelines and that my spouse had obligations under the guidelines.

Mr. Bell: Is it your understanding that those obligations were different?

Ms. Caplan: I believe we had the same obligations.



Mr. Bell: Did you understand from the guidelines, that in the circumstances that the guidelines applied to, your husband's interest is your interest?

Ms. Caplan: For the purposes of disclosure--

Mr. Bell: And compliance.

Ms. Caplan: --and compliance with those guidelines, which was why there was a joint filing.

Mr. Bell: Given that, can you comment upon whether in the circumstances of the type of marriage relationship you have, you cannot or should not know about what your husband does in a business sense?

Ms. Caplan: I would like to go back to something you said earlier and that was that I had confidential information that I could not disclose because of my cabinet obligations and my oath of office. I was also aware because of his professional obligations that he had confidential information regarding his clients that he could not disclose because of his professionalism. That was one of the reasons we did not discuss many matters.

Mr. Bell: In the context of the guidelines and the need for ongoing reference to people's circumstances and the guidelines, do you see a need for--it has to be only in your context--more continuous ongoing information from your husband to yourself as for his business interests?

Ms. Caplan: I see a need for a monitoring process. I think that process should be well defined. For example, I knew he was receiving advice. I trusted the advice since Mr. Wright had been giving that advice to previous governments for some 14 years and he was the expert. I knew that my husband was following that advice and, because of the nature of the relationship, I know it is important to have that ongoing compliance monitored by someone other than partners or husband and wife, spouse, and so forth.

Mr. Bell: That is helpful. I had not thought of that. There should be an information process but not necessarily through you.

Ms. Caplan: It is important that it not be through me. One other thing, I understand as well, and I now understand even better, why lawyers do not advise or defend their spouses--

Mr. Bell: Or themselves.

Ms. Caplan: --or give advice and tell them to seek an independent advice outside. I also understand why doctors do not diagnose or treat their own families. While you cannot draw a direct parallel, I think there is some good sense in that and one would welcome that kind of monitoring process.

Mr. Bell: My last area is going back to the guidelines and going back to the last paragraph of the guidelines. You recall that is the one where you indicated on Friday you took that paragraph to say, "When in doubt, get advice." With all that you know now, if you had known that at the material times of this process, would you have sought advice?

Ms. Caplan: Would I have sought advice for myself?

Mr. Bell: Yes.



Ms. Caplan: Relating to my business holdings?

Mr. Bell: No, relating to your restrictions and obligations under the guidelines. In the context of all you know now, referable to what this committee has been inquiring into.

Ms. Caplan: It was my understanding that the advice and the monitoring process--and perhaps in hindsight I believe there was a monitoring process that did not exist, and that was through the advice of Mr. Wright. If I had believed there was no monitoring process, I would have requested one.

Mr. Bell: Is that the same as taking advice?

Ms. Caplan: Let me say that I would have sought other wisdom on how to proceed.

Mr. Bell: From whom?

Ms. Caplan: It is difficult for me to answer that question because, as I say, the individual to whom I directed my husband for advice and compliance, which he assured me continually through the year he was doing, in my view was a monitoring device. It never occurred to me that it was not the process. Hindsight is always 20-20. What I would do now is request a monitoring process.

Mr. Bell: Would you, as well, have requested advice for your own obligations and restrictions under the guidelines? Bear in mind the doctrine of imputed interest that we talked about.

Ms. Caplan: If I had felt this could lead to a problem--again this is speculation--I probably would have gone to the Office of the Premier to ask what monitoring was in place or could be in place to ensure those questions were answered.

Mr. Bell: Would you have sought advice from the Office of the Premier as well for your own obligations and restrictions?

Ms. Caplan: I understood my own obligations and restrictions. I have never at any time felt a need to seek any advice. I understood the guidelines, and I knew exactly what they meant. I used my own political judgement in

making decisions as they related to my disclosure, to the divestiture that was required of me and, in hindsight, I would say that I would not have sought advice regarding my own business dealings.

Mr. Bell: I am not suggesting my question is restricted to your own business dealings. We have to consider the doctrine of imputed interest, i.e., in the circumstances of these guidelines for compliance, your husband's interest is your interest in terms of obligations under the guidelines. I have tried to ask around it. Let me ask it directly: With what you know now, would you have gone to Mr. Wright for any reason?

Ms. Caplan: If I thought there was no monitoring process in place, yes, of course I would have sought advice.

Mr. Chairman: Of Mr. Wright?

Ms. Caplan: No. I would not have gone to Mr. Wright.

Mr. Bell: Is it your understanding, with what you know now, that there was a monitoring process in place?

Ms. Caplan: From what I know now, I would say there was not a monitoring process, except for the advice that Mr. Wright was giving, until some time this spring.

Mr. Chairman: That completes the questioning. Are there any comments you would like to make before we close?

Ms. Caplan: No. I do not think so.

Mr. Chairman: Thank you for your appearance before the committee.

The committee recessed at 12:25 p.m.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

MONDAY, JULY 21, 1986

Afternoon Sitting





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Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Snibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Snibley, Righton and McCutcheon

Witnesses:

Fleischmann, I., President, Canadian Intercorp

Lederman, S. N., Counsel to Mr. Fleischmann; with Stikeman, Elliot

LEGISLATIVE ASSEMBLY OF ONTARIO  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, July 21, 1986

The committee resumed at 2:06 p.m. in room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

Mr. Chairman: Before we get under way with the witness, I want to look to the committee for direction on the hours we are sitting today. It has been suggested that perhaps we should look at a 5 p.m. to 5:30 p.m. adjournment and then come back at it around seven o'clock this evening rather than the eight o'clock start, and we end up going until 11 p.m. as a rule. Is it agreed that we will try to adjourn for supper around 5 p.m. or 5:30 p.m. and come back at seven o'clock?

Mr. Wildman: As long as that does not mean we are going to go to 11 p.m. anyway.

Mr. Chairman: That is up to the committee. We have to have unanimous consent to do that.

Mr. Fleischmann, before we begin, you will have to be sworn in.

Mr. Fleischmann sworn.

Mr. Chairman: Mr. Fleischmann, do you have any comments you would like to make prior to questioning?

Mr. Fleischmann: No, other than to say that I am pleased to be before this committee and any light I can shed, I will be happy to do so.

Mr. Chairman: Sir, would you like to identify yourself for purposes of the record?

Mr. Lederman: Yes. My name is Sidney Lederman and I am acting as counsel to Mr. Fleischmann.

Mr. Chairman: Thank you very much. We will begin the questioning with our counsel, Mr. Bell.

Mr. Bell: Members, Mr. Arnott has distributed to you another addition to the brief of exhibits. It is subtab S. There are eight parts of that as given to you. There will be one additional document distributed, which you should label S-9. It is a phone memo slip to Mr. Fleischmann from Mr. Barnes, dated August 20, to which we will be referring. That is exhibit 7? I am sorry. It is already part of the material.

Mr. Lederman: At the moment, Mr. Bell, we have only up to exhibit 6.

Mr. Bell: Yes. I will arrange for you to get--no, just hold on. Mr. Arnott, would you take back exhibit 8, please? Members, would you give back exhibit 8 to Mr. Arnott? That is a matter on which, when we reach it, there will be some discussion of whether and to what extent that information should be dealt with in camera. It does not relate to Wyda or IDEA.

Mr. Gillies: I have already looked at it.

Mr. Bell: I would ask members please not to refer to it as a matter of record but give it back to Mr. Arnott pending those discussions.

Mr. Fleischmann, you are the president of Canadian Intercorp?

Mr. Fleischmann: That is correct.

Mr. Bell: How long have you held that position?

Mr. Fleischmann: Since March 1, 1982.

Mr. Bell: How many shareholders, officers and directors of Canadian Intercorp are there?

Mr. Fleischmann: I am the sole shareholder, officer and director. There may be a nominal one. I do not even recall, but I am the sole shareholder.

Mr. Bell: I would like to review with you briefly, before we talk about Canadian Intercorp in more detail, some of your personal and professional background. Can you give the committee a brief resumé of your professional and academic qualifications?

Mr. Fleischmann: I graduated in law in Toronto in 1962 and I practised law in Toronto until 1980. During that time, I served as vice-chairman of the committee of adjustments in Toronto. Other than that, in 1980 I went to Ottawa and served as executive assistant to a federal minister until February 28, 1982. I returned to Toronto at that time and set up the company that is before you, Canadian Intercorp, and I have acted in that capacity since that time.

Mr. Bell: What area of law did you practise in up to 1980?

Mr. Fleischmann: Primarily commercial and corporate law.

Mr. Bell: I understand that Canadian Intercorp has two offices in Ontario.

Mr. Fleischmann: Not any longer. I established an office in Toronto when I returned here in March 1982 and at the same time I opened an office in Ottawa that was staffed by an associate of mine in Ottawa. To all intents and purposes, that office closed in August 1985.

Mr. Bell: Perhaps you will share with the committee the circumstances leading up to your decision to form Canadian Intercorp for the business purpose that we will review in a moment.

Mr. Fleischmann: Certainly. I had indicated to the minister for whom I was working that I would remain with him for a two-year period and no longer. At the time I was leaving to return to Toronto, it was brought to my attention as a result of certain events that occurred that there was a significant gap in the private sector in the area of its understanding and knowledge of government assistance programs and its willingness to access those programs.

I saw an opportunity. I and my staff spent the better part of four



months reviewing government assistance programs throughout the country, both those that were federal and those in a number of provinces, including Ontario. I then opened the office for the purpose of providing assistance to the private sector for government assistance programs in all areas, including reports of programs that might be available. That was the commencement of the business. That is how it started.

Mr. Bell: Will you turn to tab 1 of the material under S? You can confirm that this is a document you have provided me with, which I believe is most timely in its relevance to the types of services Canadian Intercorp has and does provide to its clients.

Mr. Fleischmann: That is correct. I might point out that the firm did no advertising. When we were requested for information concerning our services, as you may appreciate, the services evolved over the four-year period and we continually updated and changed the scope of the letters we sent to clients. This is one of the more recent ones, although we probably have not done one for the past year.

Mr. Bell: Can we look at some parts of this document? The first paragraph gives some detail of the type you have already described to the committee for background. This describes the positions held by you and Miss Lamoureux in Ottawa for the departments or ministries listed.

Mr. Fleischmann: That is correct.

Mr. Bell: Is Miss Lamoureux still with Canadian Intercorp?

Mr. Fleischmann: No, she is not.

Mr. Bell: When did she leave?

Mr. Fleischmann: I believe it was about August 1985.

Mr. Bell: The second paragraph describes three basic services to the business community. Are these services still offered to your clients or prospective clients?

Mr. Fleischmann: Yes, they are.

Mr. Bell: So it is relevant for our purposes to look at these.

Mr. Fleischmann: Yes.

Mr. Bell: Okay. Under the first one, "Liaison between the private sector and the government in the area of all federal and provincial government assistance programs," could you define more particularly what you mean by "liaison"?

Mr. Fleischmann: Yes. The business started by inquiries from the private sector as to what programs might be available for their particular needs, and at the very beginning of the formation of my company we would provide written reports to companies indicating to them areas where we thought they may be in a position to utilize certain programs. As you can appreciate, programs constantly changed in scope and nature so we were constantly upgrading and bringing that information to a little more current status.

We also provided the service of actual preparation of the applications

where we were requested to do so. If I may, Mr. Bell, I would perhaps elaborate on what that means in terms of a government assistance program.

In the normal course of events, I would receive a request for information from a particular prospective client, either through his auditing firm, his solicitor or bank or some other area, sometimes directly. I would meet with the prospective client and if it was something where there was a possibility of a government assistance program, then I would review the matter with the client. I would take the initial project before what I perceived to be the appropriate government agency and the appropriate project officer in that case, and if there was an indication of interest at that point my fee structure would commence and the actual project would commence in the sense that I would be preparing the application together with the client and his staff. I would then present the application, of course, and any revisions to it, to the appropriate departmental agency.

Mr. Bell: All right. I do not want to get into it now while you are describing your company in a general sense, but I will be getting back to these areas of service with specific reference to Wyda. We will reserve that for a moment.

I take it when this document was prepared it was intended to apply not only to the federal government but also to provincial government assistance programs in Ontario.

Mr. Fleischmann: Including all other provinces.

Mr. Bell: All other provinces, all right. Okay.

Second, "Information-gathering and forecasting for private sector clients who may be affected by government actions." Can you define with more particularity what the information-gathering and forecasting are?

Mr. Fleischmann: It would be a review of government legislation of matters which were appearing on the order paper and matters which were coming before Parliament or the Legislature in terms of imminent legislation and it would be advising what I believed the impact of those pieces of prospective legislation or actual legislation might be on a client.

Mr. Bell: Third, I am going to have to break this down into a number of components, but let me read it first. "Direct action and personal representation at bureaucratic and political levels where required by clients." Then you include some examples of that. Can you, again with more particularity, define what is meant by, first, direct action at bureaucratic and political levels?

Mr. Fleischmann: I, rightly or wrongly, considered that my role was more representational. There are other firms that simply give advice to clients as to what their actions and reactions to governmental actions should be. Perhaps wrongly, but because of my legal background and so on, I had always thought it would be appropriate, where the client thought it was appropriate, at some point to make representation to members of both the political and the bureaucratic communities.

2:20 p.m.

I can give you an example of that. The reason I tell this committee about it is because it is public knowledge and there is no confidentiality



about it, as there is in other cases. I have represented the generic drug industry in Canada since the inception of my business, for four years or from just about a month after I started in business, and I have appeared both before the Eastman commission in Ottawa on behalf of the industry and before the standing committee on social development of this Legislature on matters related to legislation that was coming before the House with respect to the pharmaceutical industry. That is the kind of direct representation to which I refer.

Mr. Bell: What you described as representation on behalf of clients with committees of either parliament, is that direct action or is it personal representation within the language of your number 3?

Mr. Fleischmann: I think, Mr. Bell, you differentiate in a matter of semantics. I did not intend it to be that concise. It meant that I would make the appearances where requested by the client.

Mr. Bell: I guess my question then is, do you take "direct action" and "personal representation" to be one and the same as for clients?

Mr. Fleischmann: Yes, although to be fair, direct action could include other things.

Mr. Bell: Is there any other form of either of those two things that you have done or would do at the political level?

Mr. Fleischmann: I would make representations, certainly at the political level.

Mr. Bell: How? You have told us about representing clients before committees. Are there any other forums?

Mr. Fleischmann: Certainly. I requested the opportunity to appear before the Liberal, Conservative and New Democratic Party caucuses in Ottawa on the matter of the generic drug industry and I was given that opportunity. In the case of the NDP caucus, it was not the caucus that I appeared with, but rather one member of the caucus who was seized with this particular issue.

Mr. Bell: Are there any other types of action or personal representation at the political level that you have engaged in or feel to be within the ambit of your service?

Mr. Fleischmann: Wherever I could make my case before a politician, I did so.

Mr. Bell: Is it appropriate for a classic lawyer's phrase, "as and when the circumstances require it"?

Mr. Fleischmann: Absolutely. Thank you.

Mr. Bell: Can you give us some particulars of your direct action and personal representation at the bureaucratic level?

Mr. Fleischmann: Yes, again in the same case in Ottawa, I spoke on frequent occasions with the assistant deputy minister in the Department of Consumer and Corporate Affairs, and with others in the department, with respect to the proposed legislation.



Mr. Bell: Now, down the first page of this document, you give some description of your staff. Can you give us a description of the numbers of and the type of qualifications and experience of your current staff?

Mr. Fleischmann: I have two people on staff now. One is my administrative assistant and one is the secretary in the office. I have on call, and have utilized as the occasion warrants, others in the community on a consulting basis where I was not able from within my own staff to provide the information to the client that was necessary.

Mr. Bell: The last full paragraph on page 1 refers to your research staff "which maintains continual and close contact with various ministries both at the political and bureaucratic level." Are those staff members still employed?

Mr. Fleischmann: Yes, my administrative assistant still does follow through on all matters of government assistance programs which exist. We have in our office currently, I would guess, at least 300 files which are updated continually on government assistance programs.

Mr. Bell: When this document was prepared--you said approximately a year ago--were there any other research staff members?

Mr. Fleischmann: There was another member of my staff--and I would have to consult with my administrative assistant who is here with me as to when she left--but there was another person who was on my staff when we closed the Ottawa office. I brought her to Toronto and she was doing research for me.

Mr. Bell: Is there anything else your research staff did to maintain continual and close contact with the various ministries, both at the political and bureaucratic level?

Mr. Fleischmann: No, not to my knowledge.

Mr. Bell: Turning to the second page, Mr. Fleischmann, in the first sentence in that paragraph at the top, you refer to major lobbying efforts on behalf of international industries within specific sectors. You have described some of the services as a lobbying effort. Where does that description fit in with the three descriptions of your basic services?

Mr. Fleischmann: May I explain to the committee and to you that there are two totally separate and distinct parts to my business. It is critically important to understand the differentiation between those two pieces of work. One is in the area of government assistance programs. In that area, we have maintained close and ongoing contact with all the programs that come out and all the changes that occur to them on a regular, updated basis. The other area was an evolution wherein I was requested to represent industries, firms and associations such as the generic drug industry on what is commonly referred to as a lobbying effort. The two were totally separate and apart.

In the area of government assistance programs, I have made it a rule and I have been requested to lecture to various law firms, including your own.

Mr. Bell: Which you have done.

Mr. Fleischmann: Yes. I have also lectured to major accounting firms. I have been requested on behalf of both the federal and provincial

governments to attend with their representatives to lecture to private associations on government assistance programs. In each and every instance, the very first thing I explain to all those people is that there is no contact whatsoever with anybody in the political process. None. That is strictly a bureaucratic function. If one of my clients were turned down, I would never approach a politician with respect to an application that had been rejected. To the best of my knowledge, there have been absolutely no exceptions to that rule.

I am sorry to go into detail about that, but it is important to understand that in the other area, my function is to talk to the people who pass the laws.

Mr. Bell: There is the phrase "lobbying efforts" as it is used in that paragraph or as you have and may do in the future vis-à-vis clients. I think it is important for the committee to understand and for you to indicate to which of the three services you have described in the second paragraph, if any, the lobbying effort belongs.

Mr. Fleischmann: That would apply to the third paragraph on page 1, item 3, which is direct and personal action and representation.

Mr. Bell: I am going to break a rule. I want to ask you now, as for that lobbying effort as described and contained in item 3, did you perform any service of that type for the Wyda corporation with respect to the matter this committee is considering?

Mr. Fleischmann: Absolutely and categorically no, never.

2:30 p.m.

Mr. Bell: The next matter I would like to review with you at page 2 is your fee structure. Can you describe that for the committee?

Mr. Fleischmann: Yes. The fee structure referred to on page 2 refers to the first paragraph on page 1, which is the government assistance program business. As I said previously, there was no fee until such time as I had determined from the client and from the relevant bureaucrat that there was a good possibility that the client's project fit what the government was attempting to assist. All the work and investigations we did up to that point, which frequently included visits to the client's factory or other premises, would have no fee.

Once we had determined that there was a very good prospect of a successful application, my fee structure was 10 per cent of the net benefit derived by the client from a successful application only. I would charge the client a fee for the drafting of the application which could run, it says here, between \$2,000 and \$10,000. At the inception of this--and this is the last letter--it had been between \$50 and \$1,000. As we found out the complex nature of applications that fee went up.

Mr. Bell: Fifty dollars and \$1,000.

Mr. Fleischmann: That is correct.

Mr. Bell: A lot of people in this room are stroking out.

Mr. Fleischmann: Between \$50 and \$1,000. If we were successful, then



whatever had been charged in the drafting of the application was credited against the total fee earned. So I may assist you as to what "net benefit" means, there are far fewer grant programs at all levels of government than people perceive. In fact, governments provide assistance in a variety of ways, whether they be loans, loan guarantees, interest-free, principal-deferred loans, there is a wide variety. There are assistance programs which refer to advice which is given to clients under the counselling assistance for small enterprises program. There are centres of excellence to which clients can go to seek advice directly.

Where there was a grant, it was 10 per cent of the grant. Where there was an interest-free, principal-deferred loan it would be 10 per cent of the interest saved over the period of the loan, plus any depreciation factor which had been saved by the client as a result of that. That is the kind of fee structure which I talk about, 10 per cent.

Mr. Bell: I will reserve the questions as per Wyda until we get to the Wyda retainer because I think it will be confusing. The second area of your fee structure you have described here as corporate government relations.

Mr. Fleischmann: With respect, may I go back for one moment to the fee structure?

Mr. Bell: Certainly.

Mr. Fleischmann: I want to point out that I did not establish that fee structure in a vacuum. I approached the federal government and I approached the senior officers in the federal Department of Regional Industrial Expansion who were involved with the various major programs over the four years. I set out to them the nature of my fee structure and asked whether that was acceptable to them, not necessarily the percentage, although they did know it, but the fact that it was a contingency fee. In every case they were most appreciative of, (a) the information and (b) the kind of fee structure which I had established because it then meant I was bringing in only applications which had a very good chance of success and were done in a manner that would meet the requirements of the program and that saved their people a great deal of work.

Mr. Bell: Did you do that for the province of Ontario?

Mr. Fleischmann: Did I do what?

Mr. Bell: Did you have similar discussions with any representative of the province of Ontario?

Mr. Fleischmann: No. I did in a--yes, with respect, I believe I did at one point, but that was away back in March of 1983.

Mr. Bell: Did you describe to them in similar detail the fee structure as it is set out in this document?

Mr. Fleischmann: Yes, except at that time it would not have been a fee of \$2,000. I believe the percentage has been a consistent 10 per cent but I cannot swear to that.

Mr. Bell: What was their comment or reaction?

Mr. Fleischmann: There was no reaction whatsoever. There was no adverse reaction that I can recall, I can tell you that.



Mr. Bell: Have you said everything you wish as for the fee structure on the government assistance program?

Mr. Fleischmann: Yes.

Mr. Bell: I note there is no reference to any fee with respect to any efforts to obtain financing or assistance in the private sector. Can you comment on that?

Mr. Fleischmann: It was not in the normal nature of my business of the kind that I would set out in this piece of correspondence. I have been requested from time to time to do that kind of finder's fee work but it is not the primary objective of my company.

Mr. Bell: In the second area, the corporate government relations, before you describe the fee structure, is this the appropriate place to include the lobbying efforts that we have described before?

Mr. Fleischmann: I am sorry, Mr. Bell, I do not understand.

Mr. Bell: On the first page, under the three services, you told us that it is appropriate to include under item 3 the lobbying efforts as you have described them and of which we have one particular.

Mr. Fleischmann: Yes.

Mr. Bell: Is part 2 the appropriate place to include the efforts in the nature of lobbying?

Mr. Fleischmann: I beg your pardon; yes. I had not seen part 2. Yes, it is.

Mr. Bell: Can you give us any more detail about the fee? How is the fee arrived at?

Mr. Fleischmann: By discussions with the client.

I might add one thing. In every case to this day, any ongoing retainer is cancellable without notice by the client. There is no long-term contract.

Mr. Bell: I guess without notice by you, too?

Mr. Fleischmann: Yes, of course.

Mr. Bell: In reading this document, I got the sense that the emphasis is in the federal government sector. You have referred to specific ministries and specific federal programs. Can you comment on the type of Ontario service and fee structure that you provide? Is there any real difference?

Mr. Fleischmann: It was not meant to be something that was aimed strictly at the federal government, although you are correct that the bulk of the work was done at the federal government. We had numerous investigations into the provincial sphere as well. The fee structure was the same in both cases as far as the client was concerned.

Mr. Bell: Let me wind up with one question. With respect to the description of the types of services you provide, the type of personnel and

research, etc., you have available and the type of fee structure as it is set up, depending on the nature of the service, the committee can take it that it all has total application for Ontario programs?

Mr. Fleischmann: Yes.

Mr. Bell: There was evidence on Friday from Mrs. Caplan, although I believe it has been qualified, that she understood there had been political donations made to her either by yourself personally or by your company in the amount of \$500, two times \$250. I believe she indicated this morning that, upon further inquiries, that had not been the case. For the record, have you or your company ever made political donations to Mrs. Caplan directly or indirectly in the name of the Wyda corporation or Mr. Dobzinski?

Mr. Fleischmann: Never.

Mr. Bell: Before we get to Wyda, could you give the committee a description in a general sense of the types of clients and the matters you have handled for clients prior to your retainer with Wyda? That is in two parts: first at the federal level and second at the Ontario provincial level.

Mr. Fleischmann: I have a concern here in that I have about six pages that my staff prepared for me of various projects, applications and involvements we have had on government assistance programs since our inception. I have not asked any clients at this stage whether I could be permitted to disclose that information.

Mr. Bell: That is not a question designed to elicit specifics, but in a general sense, by description of industry, business, relative size of companies within the industry or business and, again in a general term, the types of things you have done for those companies within those industries. Can you tell the committee what you have done, both at the federal level and the provincial level? Again, the time reference is prior to Wyda.

2:40 p.m.

Mr. Fleischmann: We have prepared a variety of reports for clients as to key federal and provincial employment programs, research and development programs, export development programs, industry technology assistance programs, internship programs and small business loans. I can go on to cover virtually every program that has been established or has been in existence in the past four years in the federal sphere, and the bulk of the Ontario programs as well as they existed from time to time. They included a wide variety of clients, at least half a dozen to a dozen of whom are clients whose companies are listed on the Toronto Stock Exchange.

Mr. Bell: In the area of any other services, corporate government relations for example, what type of things have you done?

Mr. Fleischmann: I have represented a variety of groups, associations and individual companies on matters on which they sought advice and on which they sought representation from time to time. Again, they are major industries. That is not to say there have not been some smaller ones, but they were mainly major industrial associations.

Mr. Bell: Is it fair to say that, before Wyda, the majority of your services on behalf of clients has been at the federal level rather than the provincial level?



Mr. Fleischmann: Yes, that is correct.

Mr. Bell: I want to look with you at the nature and extent of your involvement with provincial assistance programs prior to May 1985. Could you turn to the second tab of this material?

First, let us identify this document, which is the chronology. Did you have an opportunity to review the four pages of typed material before your testimony this afternoon?

Mr. Fleischmann: I did.

Mr. Bell: Can you confirm that they represent excerpts from certain entries in your diaries for the dates indicated, with perhaps two or three necessary corrections?

Mr. Fleischmann: Yes.

Mr. Bell: Can you describe for the committee in general terms what use you make of your diary?

Mr. Fleischmann: It is the standard London Economist wallet diary that I have used for eight or nine years. It includes entries of telephone numbers. I use it not only for listing appointments but also for reminders to myself of things I must do. Usually, if it gets into my diary, it gets done.

Mr. Bell: Do you use it to make notes of things you have done?

Mr. Fleischmann: Not have done, but what I have to do, usually.

Mr. Bell: Please turn to the first page of this document and the reference to March 23, 1983.

Mr. Fleischmann: Yes.

Mr. Bell: There are two purposes of this reference as far as the committee is concerned. The first is the reference to Peter Barnes, somebody who has appeared before the committee. His evidence is that he met you for the first time on August 14, 1985, and had discussions with you for the first time only some days prior to that. Do you have any comment in view of this entry in your diary?

Mr. Fleischmann: No. The name of Mr. Barnes appears in my diary together with other names, and I have no recollection specifically of what the reference is to. I can only tell you again that if it appeared in my diary, it would have been something that I would have been doing. I would have been making inquiries or talking to him, but I have no specific recollection of what that was about in March 1983. It does follow, as you will undoubtedly ask me, in the following day's entries, and I can only assume that the two are related in some manner.

Mr. Bell: All right. Does the rest of the detail under this March 23 date assist you in recalling what you were doing that day or what you had to do?

Mr. Fleischmann: Yes, in a limited sense, in that there is a reference to the name of a gentleman I know who is an accountant. There is a notation "Ontario International Corp." after that. If I were going to surmise,



I would say that he had asked me to make inquiries related to the Ontario International Corp., I did so and those were the names of the people I had been given to contact. That is as close as I can come to it.

Mr. Bell: Canadian InterCorp started doing business in--

Mr. Fleischmann: March 1, 1982.

Mr. Bell: In Ontario, as for Ontario matters, is that the same date we should take when you started?

Mr. Fleischmann: Yes. When you say, "doing business," we prepared material on all the programs that we could find, and to that extent we would have provided reports to clients on government programs.

Mr. Bell: Okay. You started in March 1982, and we know that on March 23, 1983, you are having some discussions with some representatives of provincial ministries as for some matters available through Ontario sources.

Mr. Fleischmann: Yes.

Mr. Bell: The next entry is March 24, 1983. Would you turn to tab 3 when answering these questions? You may want to flip back and forth. With reference to the March 24 entry and tab 3, a memorandum prepared by your office of the same date, can you tell the committee what you were doing then?

Mr. Fleischmann: Yes. I was interested in learning more about the real intent and purpose of application of the programs in Ontario. Up until that date, we had not had occasion to make use of the government programs in Ontario other than to provide reports to clients about their availability.

In order to determine the use of any program, it is critical to know far more than the releases which are related to the program, or in the case of the federal government, primarily the regulations which pertain to those programs. I put in a call, or one of my staff did--I cannot recall which--to arrange a meeting with the people who are listed on that page and invited them to lunch so that we could discuss the nature of the Ontario Development Corp. programs in so far as they were prepared to give me information that was beyond that in the regulations. We had the lunch and I came back from that luncheon and I made the notes which now appear in tab 3.

Mr. Bell: Okay. Just to follow the sequence and relate it to your procedure, you made these notes before the lunch, I take it, so you would know certain questions or areas to discuss with them.

Mr. Fleischmann: No. The notes on tab 3 are the notes--

Mr. Bell: No. The notes in March 24 in your diary.

Mr. Fleischmann: I beg your pardon. Yes. I believe so.

Mr. Bell: Would you review the March 24 memorandum for the committee, please?

Mr. Fleischmann: Yes. Those are the notes which I made after meeting with the people in question, whom you will see are the senior people at the Ontario Development Corp.

Mr. Bell: For the record, Mr. Joyce is noted as chairman of the ODC.

Mr. Fleischmann: Yes.

Mr. Bell: Mr. Croll is the chief executive officer of the ODC.

Mr. Fleischmann: Yes.

Mr. Bell: Mr. Winter is director of special financial services, ODC.

Mr. Fleischmann: Yes.

Mr. Bell: Who is the author of this memorandum?

Mr. Fleischmann: Jim Burns.

Mr. Bell: Is he a member of your staff?

Mr. Fleischmann: Yes.

Mr. Bell: All right.

Mr. Fleischmann: He was a member of my staff at the time. He is no longer a member of my staff.

2:50 p.m.

Mr. Bell: Can you review this with the committee?

Mr. Fleischmann: Yes. These were notes that were prepared and that Mr. Burns and I discussed after all this stuff was prepared so that I would have something appropriate for my files when I wanted to refer to Ontario Development Corp. matters. One of the principal reasons we requested the meeting was that we had not had an application before ODC up to that point and it was important to know how the senior staff dealt with applications. There was a very significant difference in our view as to how the federal and provincial governments handled program applications. It was borne out by the results of this meeting, as is evidenced by the notes taken from it.

In the federal sphere, it is important to note that there are very stringent regulations pertaining to applications, exactly the opposite of the case in Ontario. We made notes with respect to what the bureaucrats who were dealing with the ODC felt was appropriate to their applications. They were interested in high-technology developments and in matters that would receive approval from cabinet.

Mr. Bell: What about the way, as described in this memorandum, that Ontario did things differently from your experience in Ottawa?

Mr. Fleischmann: There were certain similarities in that there were limits in terms of the program; that is to say, \$500,000, and then over that to the Board of Industrial Leadership and Development and that sort of thing. With the federal government, there were fairly stringent regulations with respect to the job creation aspects of programs, the number of jobs being created in the second and third year of the project. There were regulations that were voluminous in terms of the amount of equity required by the participant by way of direct and indirect financing before the project would receive any consideration by departmental officials. I can go on, but there



were very stringent regulations that all required subsequent approval--the regulations, that is--from Treasury Board.

Mr. Bell: I go to an entry about halfway down, where it says "deal with local offices and if 'don't get an ear go to directors.'" What does that mean?

Mr. Fleischmann: This is what they told us, that if we had any problem in dealing with the project officer, the person who was making the initial review of the file, we should come to see them directly.

Mr. Bell: What did you understand that to mean?

Mr. Fleischmann: It was a major shift in what I was used to dealing with at the federal bureaucracy. You moved each step up the ladder and if you received a "no," that was the end of the matter. We did not get that impression in this case. We got the impression that one could appeal the matter to the senior bureaucrats.

Mr. Bell: Before or after you got a "no" at the lower level?

Mr. Fleischmann: It would have to be after, if we "don't get the ear" of the local person receiving the application.

Mr. Bell: The next line says "Croll requested our feedback after working with the field offices." What does that mean?

Mr. Fleischmann: He wanted to know whether we were receiving co-operation.

Mr. Bell: What did you report to him?

Mr. Fleischmann: We never did report to him. To the best of my recollection, we did not end up making specific applications to the ODC, for a variety of reasons I can get into.

Mr. Bell: Have they any relevance to what this committee is doing?

Mr. Fleischmann: Not really.

Mr. Bell: The next line says "Croll expressed a concern over the use of consultants by the applicants." I take "the use of consultants" to be in connection with Canadian Intercorp. Am I correct, and if so, what does that line mean?

Mr. Fleischmann: To the best of my recollection, at that time a number of people who were in the arena of government assistance programs were representing themselves to private enterprise by saying they could get all sorts of money from the federal government in two days or two weeks and other ridiculous things of that sort. They were coming to the attention of the federal and provincial governments. I believe the reference was to that kind of intermediary. There was discussion with respect to what we did. We explained to the three people the method according to which we charged our fees and prepared our applications.

Mr. Bell: I take it from that answer you did not conclude that his comment at the meeting, as your colleague noted, referred to Canadian Intercorp?



Mr. Fleischmann: I do not believe it referred to Canada InterCorp.

Mr. Bell: Leave your finger in tab 3. The next entry in your diary that I would like to discuss with you is May 27, 1983. There is a reference to "Mr. Shortly: lunch IDEA Corp." Can you tell us what that is about?

Mr. Fleischmann: No, I cannot. I can only tell you that it is a notation in my book. I believe we had a luncheon with Mr. Shortly who, for the edification of the committee, I believe was a senior member of the staff of the Innovation Development for Employment Advancement Corp. Someone might check that out, but my recollection is that he was a senior member of the IDEA Corp. staff.

Mr. Bell: Might you have had with Mr. Shortly the same type of discussion you had with Mr. Joyce as to how the IDEA program worked?

Mr. Fleischmann: We certainly had discussions about the IDEA Corp. with the people at the March 24 meeting and, if it is in my book, undoubtedly with Mr. Shortly. However, I point out to the members of the committee that IDEA Corp. was in its formative stages then. I believe Mr. Shortly, and certainly the other people, advised me that of the five groups being established under IDEA Corp., none had yet taken wing, none was yet operative, so there was very little to discuss at that stage. It was formally established by legislation May 7, 1981, but I believe did not become operative until the beginning of 1983. By March, nothing had happened.

Mr. Bell: Did the understanding you acquired as how the Ontario Development Corp. did business, as reflected in your March 24 memorandum, have any application as to how you understood IDEA was going to do business or had done business?

Mr. Fleischmann: No. IDEA's primary responsibility, as I understood it, was the infusion of capital by way of equity participation. That was a totally different method.

Mr. Bell: I will make my question more specific. As of that date in May 1983, did you have an understanding about IDEA that you deal with the local offices, and if you do not get an ear, you go to their directors?

Mr. Fleischmann: I have no such recollection. It was not noted and I cannot remember anything of that sort.

Mr. Bell: Between March or May 1983 and May 1985, did you acquire any additional understanding or insight as to how the Ontario program was carried on?

Mr. Fleischmann: We kept a continual update of these programs. These are my files with respect to the Ontario Development Corp. and with respect to IDEA Corp. from its inception. In here are letters from Mr. Macdonald to my associate in Ottawa. We have all the releases related to IDEA Corp. going back to its very inception. We kept updating it. That is all we did.

3 p.m.

Mr. Bell: Did you have any meetings or discussions with anyone, other than the two we have looked at, between March or May 1983 and May 1985 as to how these programs carried on?

Mr. Fleischmann: Not with the IDEA Corp., no.

Mr. Bell: Or the ODC?

Mr. Fleischmann: There were from time to time inquiries we made to a variety of officers within the ODC. In almost every case where an applicant came forward with a project for federal financing or federal assistance in some form, there was usually a reciprocal provincial program that would fit in at the same time.

The two levels of government frequently worked closely together to ensure the success of a project. In some cases we made an application for a research project with the federal government, and the provincial government provided assistance for employment training programs within that high-technology field. The answer is probably yes, but I cannot recall specifically.

Mr. Bell: Did you learn anything on any of those occasions that would do anything to modify the understanding you had, as reflected in this March 24 memorandum, at least as far as the ODC is concerned?

Mr. Fleischmann: If you are referring to going to the directors--

Mr. Bell: Among other things.

Mr. Fleischmann: We never had occasion to do that. We would have found it counterproductive to do that, at least as counterproductive as going to politicians with projects which were government assisted. I have no recollection of ever doing such a thing.

Mr. Bell: Staying with the chronology of these portions of your diary in tab 2, I want to talk about your association with Wilf Caplan prior to May 2, 1985. In the interest of time, I have noted you have entries of matters dealing with him on March 1, March 16, May 10, May 11 and November 11 of 1982. Did any of those dealings have anything to do with Wyda or the IDEA Corp.?

Mr. Fleischmann: No.

Mr. Bell: Do you recall specifically what they had to do with?

Mr. Fleischmann: I can recall the March 16 entry. I had come back on March 1 from setting up a company in Ottawa. I undoubtedly called him to say hello and tell him I was back in town, because we were old friends. He asked me to come to his office on March 16 to discuss the possibility of government assistance programs for the company he was then associated with or working for; I do not recall what he was doing there. We had a lunch together, and I told him that to the best of my knowledge there was no program anywhere to fit the service nature of the sector he was dealing with. That was the final extent of it.

Mr. Bell: Did you or your company ever do business with Mr. Caplan or any of the corporations with which he had been associated prior to Wyda?

Mr. Fleischmann: Prior to Wyda, no.

Mr. Bell: The next entry we see for Mr. Caplan in your diary is the one for June 18, 1985, although that may have been cancelled. It may have been the next one, June 28, 1985, the meeting at Wyda Systems.



Mr. Fleischmann: I want to go back for one moment, so there is no misunderstanding about the 1982 entries. The fact that the entries are there does not mean I did not see Mr. Caplan on many more occasions than are entered in the book.

Mr. Bell: That is what I was going to ask you. Does that represent the extent of your dealings with Mr. Caplan during that interval?

Mr. Fleischmann: No. Mr. Caplan and I were old friends. I can recall at least one occasion when we renewed our bridge partnership and attended bridge tournaments together.

Mr. Bell: How far back does your association and friendship with Mr. Caplan go?

Mr. Fleischmann: I have read 30 years, but I cannot remember. I am getting dated. It is a long time. It is into my university days.

Mr. Bell: I believe Ms. Caplan has described you as, if not former neighbours, at least living very close to one another.

Mr. Fleischmann: We were former neighbours.

Mr. Bell: Former neighbours.

Mr. Fleischmann: Yes. I used to invite Mr. Caplan out to play.

Mr. Bell: Prior to May 1985, and again from the March 1, 1982, period, there is only one reference to Elinor Caplan and that is the first one on March 1, 1982.

Mr. Fleischmann: Yes.

Mr. Bell: Does that represent the extent of your involvement with her up to May 1985?

Mr. Fleischmann: From March 1982?

Mr. Bell: Yes.

Mr. Fleischmann: I am sure I have spoken with her at some point during that period in talking to Wilf, but I cannot recall.

Mr. Bell: Did you have any meetings with her in any business sense?

Mr. Fleischmann: No, never. As I understood it, she was a member of North York council and I had nothing to do with North York council.

Mr. Bell: All right.

Mr. Fleischmann: I do not mean that in a pejorative sense.

Interjections.

Mr. Bell: As a resident of North York, I have no comment.

Mr. Polsinelli: As a former North York councillor, I do have some problems.



Mr. Bell: Mr. Fleischmann, I would now like to talk about the Wyda retainer. When were you first introduced to the name of Wyda Systems, by whom and under what circumstances?

Mr. Fleischmann: It was by Mr. Caplan. It would have been some time in the second or third week of June 1985. It was a telephone call to me. He called me and indicated that he was acting as the consultant to some company which was seeking government assistance, and asked whether I could help them.

Mr. Bell: That is the extent of that discussion?

Mr. Fleischmann: Yes.

Mr. Bell: What is the next discussion?

Mr. Fleischmann: I arranged for an appointment to go to the office of his client, and I met with the client and Mr. Caplan at that meeting.

Mr. Bell: Was that on June 28, as indicated in your diary?

Mr. Fleischmann: Yes, it was.

Mr. Bell: That is referred to at the bottom of the first page of this chronology, with the top of the second page.

Mr. Fleischmann: That is correct.

Mr. Bell: Tell me about the persons with whom you met and what discussions occurred.

Mr. Fleischmann: I met with Mr. Caplan and Mr. Dobzinski, I believe it was, who held himself out as the owner of Wyda Systems. He indicated they had a very interesting project which they were seeking government assistance on. I do not recall whether they talked about other financing at that time, but it was certainly government assistance. I indicated to Mr. Dobzinski what my fee structure was. He spent at least two hours explaining the technical nature of the project and he stressed its confidentiality to me.

Mr. Bell: I want to stress that here. The committee does not want to hear about the detail of that two hours as it relates to the technology.

Mr. Fleischmann: I can tell you I did not understand a word of it.

Mr. Bell: You are probably not alone in this room. Did you settle on the terms of your retainer at that meeting?

Mr. Fleischmann: With respect to government assistance programs, yes.

Mr. Bell: Did you give Mr. Dobzinski a description of the type of services and the fee structure as set forth in this document we have looked at in tab 1?

Mr. Fleischmann: Yes.

Mr. Bell: Was Mr. Caplan in attendance throughout that meeting?

Mr. Fleischmann: I believe so.

Mr. Bell: Was anybody else?

Mr. Fleischmann: No. I think Mr. Dobzinski's secretary came in at one point, but that is the only other one I can recall.

Mr. Bell: Prior to that meeting, to your knowledge, did Mr. Caplan have an understanding of the nature of your services and the fee structure for Canadian Intercorp?

Mr. Fleischmann: Oh, yes. That is what he had invited me to his office for about two years previously. We had discussed that very thing.

3:10-p.m.

Mr. Bell: You told me you settled on the terms of the retainer for--

Mr. Fleischmann: My recollection is that Mr. Caplan and I had discussed the terms of the retainer by telephone. He said he would clear it with Mr. Dobzinski. When I arrived for the June 28 meeting, it was a fait accompli. It was an accepted proposition. I believe I mentioned it to Mr. Dobzinski and he said: "Fine. If you can get the money, you can have the fee."

Mr. Bell: What was the retainer in respect of all of its terms?

Mr. Fleischmann: At that point, on June 28, to the best of my recollection, it was government assistance programs generally, wherever and whenever I could obtain them.

Mr. Bell: Federal or provincial?

Mr. Fleischmann: Oh, yes. There was no limitation.

Mr. Bell: What was the fee structure?

Mr. Fleischmann: Ten per cent of the net benefit if I did the application. We will come to it in the following week, but there is a notation in my diary because he had asked if I could find other sources of money? I had indicated to him it was not my normal business, but if it was as exciting a prospect as he was able to hold out--and he was a very good salesman--and in fact if the government agencies were interested, it would certainly whet the appetite of private investors. To that extent, I would certainly go out and seek other sources of funding from other people. With respect to the other funding, we agreed upon a one per cent finder's fee.

Mr. Bell: What do you mean by other funding?

Mr. Fleischmann: Funding which was in the nature of financing the project, whether it was by way of loans, equity or whatever the case may be. There was a one per cent finder's fee. Please bear in mind that at the first meeting I was not aware of the complexity of the nature of this thing. At the subsequent meeting of July 5, which we are going to come to, at that point it became readily apparent that I would not be in a position to do the application on this particular project. We talked about a one per cent finder's fee for the government assistance where I did not do the application.

Mr. Bell: That will take us to July 5, at the top of the second page.

Mr. Fleischmann: Yes.

Mr. Bell: There is a reference to "Robin Braithwaite re Wyda." What is that about?

Mr. Fleischmann: The first thing I did--and this is why I read with great interest some of the testimony that has been given here--is I went to the federal government and not the provincial government with respect to this application. I went to the Department of Regional Industrial Expansion. Robin Braithwaite is the project officer in charge of computer CAD/CAM operations and other applications, primarily with respect to computers but other high-technology areas as well. I had dealt with Mr. Braithwaite before. I phoned him after the meeting of June 28. I indicated to him that there was something I thought would be worth looking at. Based upon my prior business dealings with him, I guess he accepted my word and arranged to come with me to Wyda. We spent three hours with Mr. Dobzinski going over the matter all over again on July 5.

Mr. Bell: Just for the record, tab 3 of your material contains a courier service, almost a bill of lading, but it is a project--

Mr. Fleischmann: We have it at tab 4.

Mr. Bell: Tab 4; I am sorry. That indicates certain materials were sent to him by you on July 8.

Mr. Fleischmann: Yes.

Mr. Bell: Are you able to identify what you sent him?

Mr. Fleischmann: I believe it was what we call a short-form application under the industrial regional development program, which was signed by Mr. Dobzinski on July 5.

Mr. Bell: For federal assistance?

Mr. Fleischmann: For federal assistance, yes.

Mr. Bell: Back to July--

Mr. Fleischmann: Excuse me. I believe the clerk would like to see this application. It was never included, but I did--

Mr. Bell: No, I did not include it.

Mr. Lederman: We can make that available.

Mr. Bell: When we have discussions as for a number of matters, why do we not just--

Mr. Fleischmann: Okay. I will just take it out for now.

Mr. Bell: Was that application ever processed?

Mr. Fleischmann: Yes.

Mr. Bell: Was it ever accepted?

Mr. Fleischmann: No.

Mr. Bell: Was it turned down?



Mr. Fleischmann: It was never processed to the point of appearing before the initial committee of the industrial regional development program officers because I had a number of discussions with Mr. Braithwaite and Stephen Hertzberg of the Department of Regional Industrial Expansion. Mr. Hertzberg is the financial analyst in the department. There were discussions over the period, lasting literally until the end of July.

However, during the second or third week of July, it became clear that there was a serious problem in receiving government assistance at the federal level, partly because of the inability to determine the nature of the application because of the insistence by Mr. Dobzinski on confidentiality. Second, there was some issue within that department of the federal government as to whether it had any funds left for allocation for that year. Mr. Dobzinski needed funds then, not from next year's allocation.

Mr. Bell: Back to July 5. That is when you realized, having regard to the complexity of the so-called product, you would not be doing the presentation of any application as far as the province was concerned?

Mr. Fleischmann: Or the federal.

Mr. Bell: Is that when you redefined the terms of your fee?

Mr. Fleischmann: I believe so. I cannot state with absolute certainty. I am just referring to my notes, which have the numbers 10 per cent and one per cent, on July 5 rather than on June 28. I have to assume it took place on July 5.

Mr. Bell: That was a negotiated effort with Dobzinski?

Mr. Fleischmann: Yes, I believe so.

Mr. Bell: What did you understand you would be paid one per cent for?

Mr. Fleischmann: For finding money for the company.

Mr. Bell: Does that exclude the phrase we have looked at, "Net benefit derived from...."? Does that phrase have any relevance to the one per cent?

Mr. Fleischmann: No--we did not get into that kind of discussion. You are asking a good question. I do not know.

Mr. Bell: Did you reduce the terms of the retainer to writing?

Mr. Fleischmann: No, we did not.

Mr. Bell: May I ask you why?

Mr. Fleischmann: I was dealing with an old friend. I did not feel it necessary. If Mr. Caplan is with the company and he tells me that is the deal, that is the deal. In fact, it is rare that I have ever reduced to writing my fee structure with clients in any of the applications I have done.

Mr. Bell: I would like now to explore what you did with respect to Wyda and IDEA. First of all, when did the name IDEA Corp. first come up and who raised it?

Mr. Fleischmann: In reference to Wyda, you mean?

Mr. Bell: Yes.

Mr. Fleischmann: To the best of my recollection, it was Robin Braithwaite. Some time in mid-July, when we were getting to the point where we were finding it was not probable that they were going to be able to accommodate this project, he suggested we take a look at direct participation by way of equity with the IDEA Corp. Please bear in mind that the application to the industrial regional development program was for a totally different form of assistance. It was not for equity participation at all, it was assistance by way of a principal-deferred, interest-free loan, which was the nature of the assistance the IRDP was providing at that point.

Having gone through the financial statements of the company that were attached to the two-page application, Mr. Braithwaite suggested it might be in order to go to the IDEA Corp. I am almost certain that is where the initial impetus for the IDEA Corp. came from; from me.

3:20 p.m.

Mr. Bell: Did you have discussions with Mr. Caplan between that date and the date of your first discussions with anybody in the provincial government on IDEA? In other words, did Caplan raise IDEA with you or Dobzinski?

Mr. Fleischmann: No. They were not telling me where I should go to find government assistance. My mandate was to tell them where the best possible sources of government assistance that might relate to this type of project were located. That is what I was doing when I first went to the federal government. I am almost certain it was as a result of discussions with the federal government representative that they suggested I go to the IDEA Corp. I have no recollection whatsoever of discussing anything about the IDEA Corp. with Mr. Dobzinski or Mr. Caplan until then.

Mr. Bell: Can we now look at what you did hereafter?

Mr. Fleischmann: Yes.

Mr. Bell: You have already made a comment on the July 5 reference. Would you turn again to the chronology and the entry in your diary of July 18, 1985? For members of the committee, that should be read with tab 5 of your material, being a partial memorandum of Mr. Fleischmann of the same date. What does this concern in connection with Wyda?

Mr. Fleischmann: When I decided to seek assistance from the provincial government--and it would not have been limited to the IDEA Corp., but certainly that is part of it--I called Peter Wilkinson, who is a member of Mr. O'Neil's staff, and asked to meet with him with respect to three files, two of which are listed in my book in addition to this file, to seek advice from him as to who the appropriate departmental agency would be and who the project officer or the appropriate person within that departmental agency would be to talk to about the file. I went to meet with Mr. Wilkinson.

I have read with great interest about the gap in how the files appeared at various places at various times and I think this will shed some light on all that.



Mr. Bell: Let us spend a little time with tab 5 for a moment in giving it the explanation, because it is not all here, obviously.

Mr. Fleischmann: I am very concerned with the underlined reference at the top of the page to the meeting with Hugh O'Neil. That has absolutely nothing to do with the Wyda file.

Mr. Bell: You are referring to the part between the reference line and the paragraph starting, "I met with Wilkinson"?

Mr. Fleischmann: That is correct.

Mr. Bell: Your evidence is that deals with another client and the subject of your discussions with Mr. O'Neil on that date?

Mr. Fleischmann: That is correct.

Mr. Bell: Do you have that memorandum with you today?

Mr. Fleischmann: Yes, I do.

Mr. Lederman: I should point out, Mr. Bell, that you have a copy of the full--

Mr. Bell: That was my next comment. I have a copy. This may be a matter the committee wishes to discuss with you in the context of the same ground rules of in camera discussion.

Mr. Fleischmann: I just want to repeat categorically that at no time did I ever discuss the Wyda file or the IDEA Corp. with anybody in the political process save and except for Peter Wilkinson.

Mr. Bell: I want to finish the description of this document though. In addition to this paragraph, there is a deletion of the names of the two other clients, is that correct?

Mr. Fleischmann: There was one other that is noted in that memo. There is a reference to the meeting with Mr. O'Neil about one client, which had nothing to do with government assistance programs at all. You have a copy of that. Then there is a reference to another client that was a prospective government assistance program that I talked to Mr. Wilkinson about. They were two different meetings, by the way.

Mr. Bell: That is what I was going to ask you. Is this one meeting or two?

Mr. Fleischmann: They were two separate meetings.

Mr. Bell: When you met with Mr. O'Neil, who was at the meeting?

Mr. Fleischmann: Mr. O'Neil.

Mr. Bell: And you?

Mr. Fleischmann: And me.

Mr. Bell: Did you change locations then and meet with Mr. Wilkinson?



Mr. Fleischmann: Yes.

Mr. Bell: Was anybody else in attendance at your meeting with Mr. Wilkinson?

Mr. Fleischmann: Not to my knowledge. His office is just down the hall from Mr. O'Neil's.

Mr. Bell: With the benefit of this memorandum, tell us what occurred at that meeting with Wilkinson.

Mr. Fleischmann: I sought his advice on who the appropriate person should be to speak to related to the two files, one of which was Wyda. I believe I left him with both files. When I say "files," at that point they were hardly what one would categorize as files. They were simply notations about the nature of both projects. There may have been more to them, but I cannot recall what was specifically in them. He advised me that he thought the people to see in both cases--or at least in the Wyda case; I am not sure about the other one--were Peter Barnes and Michael St. Amant, who is the manager of special projects innovation.

Mr. Bell: Who is relevant to Wyda and IDEA, Barnes or St. Amant?

Mr. Fleischmann: Both of them.

Mr. Bell: Did you have with you at that meeting a copy of the then current Wyda business plans?

Mr. Fleischmann: I cannot recall what was in those files.

Mr. Bell: Did you leave with either of those gentlemen any material that had been provided to you by Wyda?

Mr. Fleischmann: Not with Mr. O'Neil. I did not discuss--

Mr. Bell: No.

Mr. Fleischmann: You say either of those gentlemen. I met only with Mr. Wilkinson at that point.

Mr. Bell: Okay, with Wilkinson; did you leave anything with him?

Mr. Fleischmann: I believe so. Yes.

Mr. Bell: All right. Do you know or understand that he passed that material on to either Barnes or St. Amant?

Mr. Fleischmann: I called him on at least three occasions to find out what was happening and it was not until I read the evidence here that it did not appear in IDEA Corp.'s file until August 12--

Mr. Bell: Is it your belief that the document that was given to IDEA on August 12 is a document you provided to Wilkinson at this meeting?

Mr. Fleischmann: I have no way of knowing that. I have never seen the document that has the 12th stamped on it.

Mr. Bell: We can have somebody give you the committee's copy of the IDEA document, the green one.

Mr. Pope: I am sorry. You just lost me. First of all, I want to put on the record my objection to withholding anything from exhibit 5 except for the commercial clients' names. I appreciate that, but I object to any other information being removed from this memo.

Second, I have not seen the document that Mr. Fleischmann indicated he handed Mr. Wilkinson.

Mr. Bell: That is what I am trying to determine.

Mr. Pope: He should have it. He says he handed it to him.

Mr. Bell: Do you have a copy of what you handed him?

Mr. Fleischmann: No.

Mr. Lederman: Why should he have it? He delivered it over to Mr. Wilkinson.

Mr. Pope: You mean you deliver documents and you do not keep a copy.

Mr. Fleischmann: That is correct.

Mr. Gillies: Mr. Chairman, could I suggest that we go in camera for a short period to look at this memo?

Mr. Pope: No. I am sorry to disagree, my friend, but I object to anything other than the names of these other corporate entities being deleted from that memo.

Mr. Chairman: Let us hear our counsel's comments. He made the decision personally on this.

Mr. Bell: Can I just finish the answer to this question, then I will deal with that, Mr. Pope?

Would you turn to tab 2, Mr. Fleischmann.

Mr. Fleischmann: Board members--I am sorry.

Mr. Bell: Tab 2 is three pages of a business--that is a portion of the business plan that was delivered to IDEA on August 12. Does that assist you? Is that part of the document you delivered to Wilkinson?

Mr. Fleischmann: I would be guessing. It may well have been, but I cannot recall specifically. I am sorry.

Mr. Bell: Would you just place before you the July 18 memorandum that Mr. Pope has just referred to?

Mr. Fleischmann: Yes.

Mr. Bell: With reference to the paragraph that is deleted, can you indicate to the committee the concern you have as for its public disclosure?

Mr. Fleischmann: Yes. It relates to commercial confidentiality of a client, totally unrelated to this matter, totally unrelated to the IDEA Corp. or to any government assistance program whatsoever.

3:30 p.m.

Mr. Bell: With specific reference to the second paragraph in that memorandum, does your same answer apply?

Mr. Fleischmann: The second paragraph only deletes the name of one other file that I talked to Mr. Wilkinson about, and that, of course, has--

Mr. Bell: No, I am sorry, there are three paragraphs to that memorandum.

Mr. Fleischmann: Sorry, for the first and second paragraphs the answers are exactly the same.

Mr. Bell: What is it specifically about the second paragraph that you have concern for?

Mr. Fleischmann: The whole matter relates to clients who are totally unrelated to this issue. The nature of the business with those clients has a great deal of commercial confidentiality.

Mr. Lederman: It is clear, Mr. Chairman, that committee counsel has examined that and he does not have any belief that it is anything but that. It is totally unrelated to any of the matters before the committee at this time.

Mr. Pope: Since I raised the point, I would like the entire memo read out with the deletion of any names of companies.

Mr. Polsinelli: That may not be possible. You may not be able to read it.

Mr. Chairman: Mr. Ward has a comment. Mr. Ward has the floor.

Mr. Ward: We could quickly resolve it if we went in camera and had it put out. I do not think deleting the names--I am only guessing as well, but that may cause--

Mr. Bell: In fairness to Mr. Pope, if you do that, it should be without any decision as to whether and to what extent the committee may decide to make that information part of its record. Your suggestion is a good one, but we should not prejudice the decision.

Mr. Pope: Just a second. As a individual member of this committee, I think that memo happens to be pretty bloody important.

Mr. Chairman: Mr. Wildman, do you have a comment?

Mr. Wildman: I have full confidence in our committee counsel, as I am sure all members of the committee have, but I wish to point out that earlier in testimony before this committee deletions were made by witnesses who were providing documentation to the committee. The deletions were deemed not to be relevant to the committee discussions, but subsequently we found them to be most relevant. I am not prepared to have the documentation provided in such a way that the committee cannot determine its relevance.

Mr. Chairman: Can I suggest as a follow-up to Mr. Gillies's proposal that we move in camera, take a look at this and then make a decision as to whether we want it on the record? Do we have a motion to that effect?



Mr. Gillies: So moved.

Mr. Chairman: In agreement? Agreed. We will move in camera and ask those not having a role at this stage to vacate the room, please.

The committee continued in camera at 3:34 p.m.

4:25 p.m.

Mr. Chairman: Can we get under way please? For the members' information, the clerk is now running off copies of the record that we discussed in camera and these will be distributed shortly.

Mr. Wildman: Just a matter of (inaudible) operation these things are all on (inaudible) them back in.

Mr. Chairman: Mr. Bell is going to resume questioning and I think the members will have that piece of information in our hands shortly.

Mr. Bell: Mr. Fleischmann, this is not the best way, but in the interests of using as much of the time as we have available, you were talking about what you did for Wyda. When you left off, it was July 18, the meeting that you had, as referenced by your diary notation of that date and as referenced by these memorandums, if you look at the second paragraph of this memorandum in a moment when it comes from the clerk.

You had also talked about whether you could identify the IDEA document, which is part of the business plan, as the document you provided to Wilkinson. I think you have gone as far with that as you can; i.e., "I am not sure; it would be speculating." Is that correct?

Mr. Fleischmann: That is correct.

Mr. Bell: Let us, for a few moments, proceed along with your diary entry and examine what other matters you were involved in. There is an August 7 entry--this is tab 2 of page 2 of the material--and the reference is, "Call Robin Braithwaite re Wyda." What is that about?

Mr. Fleischmann: That was a follow-through to get a final decision from Mr. Braithwaite after he had his discussions with Mr. Hertzberg who is the financial analyst and whether there were, in fact, funds within the industrial regional development program. At that point we had received, I guess you would call it, a final determination that they were not going to be able to proceed with the application, although we knew that some two weeks earlier we had indications to that effect.

Mr. Bell: All right. As best you can recall, did you call Braithwaite on or about that date?

Mr. Fleischmann: Yes.

Mr. Bell: The next entry is August 9, and you have the notation "Peter Barnes" with a number, "Harold Blakely" with a number, "IDEA CAD/CAM." What is that all about?

Mr. Fleischmann: Going back, this would be a reference to a number of--I had a discussion, you will recall, on July 18 with Mr. Wilkinson with respect to the files, this one and one other, and he had given me at that time

Mr. Barnes's name and Mr. St. Amant's name. I learned that Mr. Blakley was also (inaudible) part of the IDEA Corp., indeed president of the IDEA Corp. I had called Mr. Wilkinson earlier and I think, if you will refer back to July 31, you will see there is a notation July 31 that I, in fact, did call Peter Wilkinson with a question mark, Wyda. I was trying to find out whether, in fact, that matter had indeed been referred on so that I could then begin my discussions.

I can again only speculate, but I believe the August 9 reference date with the telephone numbers was the date that I called both Mr. Barnes and Mr. Blakley to arrange meetings with them.

Mr. Bell: All right. Referring to that July 31 date, did you call Wilkinson on that date and, if so, what did you learn?

Mr. Fleischmann: Nothing, to my recollection, other than that the files were still in the process of getting over there.

You may note that from July 18 until August 12, if indeed it is the same file, it took 25 days for the files to arrive from Mr. Wilkinson's office to the IDEA Corp.

4:30 p.m.

Mr. Bell: Do you know why?

Mr. Fleischmann: No, I have no idea whatsoever.

Mr. Bell: Was it anything to do with Wyda or Canadian InterCorp?

Mr. Fleischmann: No. I was simply trying to find out when we could get this process moving so I could begin discussions with the appropriate people.

Mr. Bell: Can you tell me anything about the discussions you had on August 9 with Barnes and Blakley?

Mr. Fleischmann: No, sir, I cannot. Again, I am saying I believe it would have been around that time that I arranged for the two meetings, the lunch meeting with Mr. Barnes on August 14 and the subsequent meeting on August 19 with Mr. Blakley.

Mr. Bell: Before we get to the August 14 reference, the clerk is distributing a copy of the July 18 memorandum prepared pursuant to the motion of the committee in camera. Do you have that placed before you?

Mr. Fleischmann: Yes, I do.

Mr. Bell: For the record, there is a paragraph 1 of this memorandum that is not included in this version, correct?

Mr. Fleischmann: That is correct.

Mr. Bell: That refers to a client of yours who has absolutely no connection with or anything to do with Wyda. Is that correct?

Mr. Fleischmann: That is correct.



Mr. Bell: Again for the record, the third paragraph, which has always been part of the committee's public record, contains a deletion of another client in respect of a brief of that client that you presented to Wilkinson.

Mr. Fleischmann: That is correct.

Mr. Bell: That client has nothing whatsoever to do with Wyda. Is that correct?

Mr. Fleischmann: That is correct.

Mr. Bell: For the record, this committee has heard evidence with respect to a company called the Cumberland Group. Can you confirm that this client, which is in the original memorandum, has nothing whatsoever to do with or, in fact, is not the Cumberland Group?

Mr. Fleischmann: It has nothing to do with and it is not. I had never even heard of the Cumberland Group until much later from other sources.

Mr. Bell: Okay. With the benefit of this additional paragraph that is now part of this exhibit, members, I think you can just put this additional document in tab S.5.

Would you describe to the committee the nature of your discussion with Mr. O'Neil?

Mr. Fleischmann: Yes. There were two totally separate and distinct meetings on that day. The meeting with the minister related to a client that is not named but is in paragraph 1 and is not the same client named in paragraph 3 that has been deleted. I want to make that clear. The client that was deleted in paragraph 3 in the meeting with Mr. Wilkinson relates to a government assistance program. The client that is referred to in paragraph 1 does not per se. There was much more to it than that.

I met with the minister to discuss a variety of matters related to a client. I am trying to be careful to phrase this in a way that will not relinquish any client confidentiality. The meetings with respect to that client with the minister related to ongoing matters of a commercial nature, and included in that commercial nature were very politically sensitive matters. When I say "politically sensitive matters," I mean that in relationship to other jurisdictions. It also related to ongoing negotiations between the client and other governments. That was the nature of the discussions I had with the minister.

Mr. Bell: As reflected in this paragraph?

Mr. Fleischmann: Yes.

Mr. Bell: Is there anything in this paragraph that refers to or has any relation to your subsequent meeting with Mr. Wilkinson and Wyda?

Mr. Fleischmann: Absolutely not. The minister has never heard the name "Wyda" from me. I have never had any discussion with the minister about IDEA Corp., Wyda, Mr. Caplan or anybody remotely related to him--ever. It was a totally separate and distinct matter and had nothing to do with Wyda or any related company or anything close to it. It was not even a government assistance program matter per se; there was an element of government assistance involved in it.



Mr. Bell: Can we go back then to the chronology of your diary and look to the August 14 entry?

Mr. Fleischmann: Yes.

Mr. Bell: We have already heard testimony from Mr. Barnes that he had lunch with you on this date and your diary confirms it. Can you confirm it and indicate to the committee what was discussed by the two of you?

Mr. Fleischmann: Yes. We did have lunch. I cannot tell you in absolute detail everything that was discussed because, frankly, going back that long ago I cannot remember, but I know certain things that happened at that meeting.

One was that Mr. Barnes was interested in what I did and how I got into this business. I handed him my card, as I would normally do with anybody, and it has a notation at the top that says, "Counsellors in corporate and government relations," which is a euphemism for a variety of businesses. Mr. Barnes was interested in my background. I explained to him that I had practised law, that I had gone to Ottawa and served as an executive assistant to a minister for two years and that I had seen a major area, a vacuum if you will--I will put it that way, if I may--in the ability of the private sector to understand and the willingness to access government assistance programs that change at an enormous rate.

I explained to Mr. Barnes what I was doing in the government assistance program business. I also explained to Mr. Barnes that I had two very separate and distinct businesses. What I told Mr. Barnes was the very same thing that I have always told anybody to whom I ever talked about government assistance program work, and that is that I never approach a politician with respect to a government assistance program--unequivocally, end of subject, period--because that would be the most counterproductive thing one could do. I have said that repeatedly to your firm in lectures and at a variety of other places and it is public knowledge. In fact, I recently lectured to a firm that Ms. Fish's former assistant is in and he can confirm that. That is the kind of thing I would have explained to Mr. Barnes.

What was quite interesting to me about the lunch was Mr. Barnes's willingness to talk politics because my experience with federal bureaucrats was that they will never talk politics with you. They will not talk politics with anybody.

Mr. Bell: What do you mean specifically by "talk politics"?

Mr. Fleischmann: We were talking about the election campaign and how this government was doing. At that time, there were certain indications that it was doing rather well. That is the kind of thing we talked about. Mr. Barnes has indicated that I had said to him that I was a political hack or a Liberal hack. I am not sure what the reference was but it was something of that sort. Frankly, I cannot remember at all whether I said anything of the sort. If I did, it certainly was in jest and nothing more in the discussions of the work and the background and how I got into this business. It was never intended in the slightest way to influence him or to do anything else of the sort. To even suggest that is just totally inaccurate.

Mr. Bell: At page 4 of his testimony to this committee on July 7, 1986, Mr. Barnes said, and I quote, "He described himself as a 'lobbyist.'" Do you have any comment on that?

4:40 p.m.

Mr. Fleischmann: Mr. Barnes is right, but he has totally misunderstood or has not told the rest of the story. As I have explained, there are two separate and distinct parts of my business. Mr. Barnes wanted to know what I did and I explained it to him. As a matter of fact, now that I am sitting here telling this story, I recall a discussion with Mr. Barnes about my activities on behalf of the generic drug industry.

Mr. Bell: Mr. Barnes does not, quote, "consciously remember whether Wyda was discussed at that luncheon." What is your conscious remembrance?

Mr. Fleischmann: My remembrance is that it was, in fact, discussed because there were references to two other clients in my notations for that day. That is the purpose of my writing these matters down. There were three clients under the name Peter Barnes and I am sure I discussed all of them.

Mr. Lederman: I should just point out, Mr. Bell, that the notation beside August 14, 1985, indicates "12 o'clock, Peter Barnes, Wyda." There are two other clients listed in Mr. Fleischmann's diary that have been deleted because they are irrelevant.

Mr. Bell: And not related to Wyda or any other matter?

Mr. Fleischmann: No, totally unrelated to Wyda. May I point out to the committee that one of those clients is the very client that is mentioned in the July 18--not July 18; whatever the memo is--yes, July 18. The one that is missing in paragraph 3 is the very same client.

Mr. Bell: Okay. Have you told us about everything you can recall of that luncheon with Barnes?

Mr. Fleischmann: No, because what we were talking about and the purpose of the visit and the luncheon was twofold; one, to discuss the clients, but even before we got into that area, to discuss exactly what the purpose of the IDEA Corp. was, what its mandate was, what its funding availability was, how it received applications and all of those things that are not contained in regulations. I might point out to the committee that I had exactly this kind of meeting two years before with the heads of the Ontario Development Corp. to elicit exactly the same kind of information.

Mr. Bell: Did Mr. Barnes indicate anything to you with respect to what one might do if one could not get the ear of the field officers?

Mr. Fleischmann: No, he did not. There was no such discussion.

Mr. Bell: Did you discuss Mr. Caplan at all at that meeting?

Mr. Fleischmann: No, not at all.

Mr. Bell: Did you discuss Ms. Caplan at that meeting?

Mr. Fleischmann: No, not at all. Hold it a moment. When I say that, I cannot recall specific names, but we discussed the issue of politics. Within the context of politics, in all honesty I cannot recall whose names came up. I cannot specifically recall ever discussing Mrs. Caplan.

Mr. Bell: Or Mr. Caplan's association with Wyda?



Mr. Fleischmann: No, certainly not that.

Mr. Bell: The next note in your diary that I have included in this chronology is your reference, "1:30 p.m. Hershell Ezrin."

Mr. Fleischmann: Yes.

Mr. Bell: Does that have anything to do with your previous meeting with Mr. Barnes and, specifically, Wyda?

Mr. Fleischmann: Absolutely not.

Mr. Bell: The next notation is "3 p.m., Peter Wilkinson." Does that have anything to do with Wyda?

Mr. Fleischmann: No, it does not.

Mr. Bell: Or IDEA?

Mr. Fleischmann: No, nothing related to it.

Mr. Bell: Or your discussions with Barnes?

Mr. Fleischmann: No, nothing related to that. As I have said to the committee and I will say again, I have never talked to anybody other than Mr. Wilkinson, and never after the July 18 period, of the IDEA Corp., Wyda or anybody associated with it. Once he had referred me onward to the appropriate parties, that was the end of his involvement.

Mr. Bell: The next reference I would like to discuss with you is August 16, 1985.

Mr. Fleischmann: Yes.

Mr. Bell: You have a note, "Call Jeff Cannon, Wyda."

Mr. Fleischmann: Yes.

Mr. Bell: What is this about?

Mr. Fleischmann: That simply reinforces the fact that Mr. Barnes and I discussed Wyda at that luncheon, because I believe he gave me that name and the telephone number as the appropriate person to contact to follow up the progress of the Wyda file.

Mr. Bell: Did you call Mr. Cannon?

Mr. Fleischmann: If it is in my book, I did, but I do not specifically recall the discussion.

Mr. Bell: Do you recall whether Mr. Cannon indicated to you that IDEA had received something in relation to Wyda?

Mr. Fleischmann: We had a discussion about Wyda, but I cannot recall anything about the discussion other than they were just in the very beginning of reviewing the file.

Mr. Bell: Did you introduce yourself and your company to Mr. Cannon during that discussion?



Mr. Fleischmann: I cannot recall how that came about.

Mr. Bell: Would that have been consistent with your practice when you approached somebody for the first time?

Mr. Fleischmann: No. I would have told him that Mr. Barnes asked me to follow up with him as the appropriate project officer on the Wyda file.

Mr. Bell: Was it part of your practice to introduce yourself and your relationship to the prospective investee?

Mr. Fleischmann: Yes.

Mr. Bell: The next entry is August 19. You have noted, "4 to 4:30, Blakley, drinks, Bellair." What is that about?

Mr. Fleischmann: Mr. Blakely had a drink with me at the Bellair Café, which is near my office.

Mr. Bell: By pre-arrangement?

Mr. Fleischmann: Yes.

Mr. Bell: Whose?

Mr. Fleischmann: I think it was mine. It would have stemmed from the August 9 telephone call.

Mr. Bell: What was discussed at that meeting?

Mr. Fleischmann: I wanted to discuss with him the role and nature of the IDEA Corp. and its willingness to invest in various high-technology areas and particularly computer-aided design and computer-aided manufacturing operations for which this had certain implications. We ended up discussing the very existence of the IDEA Corp. Mr. Blakley was concerned and expressed concerns to me that there would even be a discussion about winding up the IDEA Corp. I believe that was also the very first time--it was either Mr. Blakley or Mr. Barnes a couple of days previously--I ever heard the words "Cumberland Group." There was some discussion to the effect did I know it had some interest in the Wyda corporation. I said, "That is news to me." I never heard another word about it. That is it.

The discussions with Mr. Blakley on August 19 again involved the political atmosphere within Ontario and the issue of the IDEA Corp.'s existence. He was telling me what a viable and proper business it was. I recall specifically his telling me how the IDEA Corp. had turned around from its image under his predecessor. I think he made some reference to some large expenditures for furnishings and other things that reflected on the IDEA Corp.'s ability to do business. He had turned the matter around, he was doing the best job he could and it was a really good vehicle for investment into high-technology areas in Ontario. I almost got the impression that he was lobbying me. To my specific recollection, we did not discuss the Wyda file.

Mr. Bell: Is it likely that you did?

Mr. Fleischmann: I am sure it was mentioned somewhere, but I do not think there was any discussion about the merits of the Wyda file, because I am sure Mr. Blakley would not have been the right person to talk to, so I would not have talked to him about it.

Mr. Bell: Going into the meeting, was it your intention that Wyda would be discussed?

Mr. Fleischmann: No. It would have been the same type of discussion I had two years previously with Mr. Croll and Mr. Joyce, that sort of discussion.

Mr. Bell: Would you turn to the August 23 entry at the top of page 3?

Mr. Fleischmann: Yes.

Mr. Bell: There is a reference, "Call Peter Barnes, Lynn Harrington." What is this in relation to Wyda?

Mr. Fleischmann: You have two notes. My diary indicates, "Call Peter Barnes," and it is in pencil. "Lynn Harrington" is in pen. They are two totally unrelated matters.

The reference to Peter Barnes is my continuing to follow up to see the progress of the file within the IDEA Corp. I do not know why I did not call Mr. Cannon back, I cannot answer that, but I called Mr. Barnes back to find out how the file was progressing, whether they did indeed have an interest in this file and whether this was something they thought they would want to run with. I kept reporting back all the way along to Mr. Dobzinski on these discussions.

4:50 p.m.

Mr. Bell: What were you told by either Barnes or Harrington on this occasion?

Mr. Fleischmann: They were looking at the file. I cannot tell you which one of the gentlemen said this to me, but the same issue of confidentiality came up again. They were having difficulty getting Mr. Dobzinski to give them sufficient information to be able to assess the merits of the particular file.

Mr. Bell: Did either Mr. Barnes or Mr. Harrington indicate to you during that discussion or at any time around this August date that Mr. Blakley or anybody else at IDEA would be reporting to Barnes or reviewing the matter with Barnes?

Mr. Fleischmann: Never.

Mr. Bell: Did Barnes indicate he was being kept informed of the progress of the matter by the IDEA people?

Mr. Fleischmann: Not to my recollection; I do not know.

Mr. Bell: The next entry I have is September 25, 1985. There is a reference to Harrington.

Mr. Fleischmann: Yes.

Mr. Bell: What is that about in connection with Wyda?

Mr. Fleischmann: It has no connection with Wyda whatsoever.



Mr. Bell: For October 22, 1985, there is a reference to Mr. Baker and Wyda. What does it concern?

Mr. Fleischmann: I will have to go back a little. I will give you the short answer. It related to trying to find funding through the scientific research tax credit vehicle method. Mr. Baker was one of the people who called from Cornwall making inquiries about that.

Mr. Bell: It has been so long ago that I cannot remember what was in camera and what was not, so I am not going to take a chance.

Did you undertake certain services for Wyda that did not relate exclusively to government funding?

Mr. Fleischmann: Yes, I did.

Mr. Bell: There is a reference--please believe me, it is not Freudian; I did not slip over it--for October 11, 1985, there is a reference to one of my former partners by the name of Katchen.

Mr. Fleischmann: Yes.

Mr. Bell: Can you tell the committee what that is all about?

Mr. Fleischmann: Yes, I can. In the beginning of October, Mr. Caplan called me and asked whether there were other areas of financing or funding of the company that I would be able to undertake, including private investors. In addition to that, he asked me whether he could use my office and my office address as the focal point of an advertisement to advertise SRTCs--the scientific research tax credit. I said, "Certainly; no problem with that." My office placed a series of running ads in the Globe and Mail for scientific research liabilities. I can give you the one copy I have here, advertising the existence of a company wishing to sell \$10 million and upwards of SRTCs, with my name, my company name and my telephone number.

As a result of that, I received at least 100 inquiries and probably more. Of those, more than 40 have been kept in my files of return telephone call messages from all over the country. I weeded out replies that for one reason or another were irrelevant and immaterial and unable to partake in this venture for a variety of reasons. The others I passed on to Mr. Caplan. In my files, I have dozens of telephone messages. Mr. Baker was one of them that I happened to put in my book, probably because it was in front of me at the time he called.

Mr. Katchen is an old friend of mine and was once my law student. Because of other dealings with him, I knew he had access to or dealt with SRTCs. I called Mr. Katchen and arranged for him to meet with Mr. Caplan. They did so and they went almost to the end of the road, to the point where, had it not been for a last-moment adverse ruling from the federal department, there would have been the conclusion of a significant SRTC sale.

By the way, I did not stay intricately involved in those proceedings, but I certainly kept myself aware of them and supplied information to Mr. Katchen along the way.

Mr. Bell: The next entry I have is January 8, 1986, as an entry relevant to services performed for IDEA vis-à-vis Wyda.



Mr. Lederman: What date is that?

Mr. Bell: January 8: There is a reference to Lynn Harrington. Does that have anything to do with Wyda?

Mr. Fleischmann: No, it does not.

Mr. Bell: January 31: Does that have anything to do with Wyda?

Mr. Fleischmann: No, it does not.

Mr. Bell: April 7: There is a reference to two of Mrs. Caplan's staff.

Mr. Fleischmann: Yes.

Mr. Bell: Anything to do with Wyda?

Mr. Fleischmann: No. In my book, there is a name of a specific client that is not included in your notes. I have asked for exclusion of that name because it has nothing to do with Wyda. It is another client totally unrelated.

Mr. Bell: What is the time in your April 7 diary where the entry of Webster--

Mr. Fleischmann: There is no time attached to it. It is just a notation.

Mr. Bell: Also on that date, you have a reference to Blakley.

Mr. Fleischmann: Yes.

Mr. Bell: There is an entry: "Blakley--Forget profit--manage investments--Blakley fee?--ballground." That should read ball game, not ballground.

Mr. Fleischmann: Ball games.

Mr. Bell: Games. What is this about?

Mr. Fleischmann: I cannot recall whether I called Mr. Blakley, more likely it was Mr. Blakley who called me. I made notes of a telephone conversation that was to me a very strange one.

By this time it was public information that the IDEA Corp. was being wound down. Mr. Blakley told me that he had, forgive the pun, an idea--

Mr. Bell: You are forgiven.

Mr. Fleischmann: Thank you--for dealing with the various investments which the IDEA Corp. had made over the years. It was that the government should receive back the investments which it had made, which I believe at that point totalled in excess of \$70 million; that the government should forget any return of receiving profits back from those investments, but rather receive back the capital invested. Mr. Blakley would manage those investments on behalf of the provincial government and the reference to the "Blakley fee?" is that he wanted to receive a fee for managing those investments. He told me he

had come from the private sector, that he wanted to return the capital to the government and then take over those investments in the companies himself and that he wanted to negotiate a fee for carrying on these investments.

The reference to ball games is that Mr. Blakley knew that I am a member of the board of governors of Exhibition Place and he wanted to come to a ball game.

Interjection.

Mr. Fleischmann: It is ball games. As I say, it was a very strange conversation from my context because, once again, I felt he was lobbying me.

Mr. Bell: Why did you understand he was calling you?

Mr. Fleischmann: I did not have the faintest idea. You will have to ask Mr. Blakley that question.

Interjection.

Mr. Fleischmann: He did. Good. I think that is appropriate, because Mr. Blakley had some understanding or a concept in his own mind that I would be able to do something about it. If that is what he thought, he was mistaken because that was not the case.

Mr. Bell: Can we look at the next entry, April 9, and can you explain to the committee what that is about? It states, "Lynn Harrington re Blakley" and then "5:30 Harold Blakley."

5-p.m.

Mr. Fleischmann: Yes. That conversation on April 7 was a telephone conversation. In my attempt to assist Mr. Blakley to find out what was going on, I said, "Let me check around," or words to that effect, and we agreed to meet for drinks two days later. I called, and I am not sure whether it was Mr. Harrington but the note certainly says Mr. Harrington, about Mr. Blakley's position and I was told it was not my concern.

Mr. Bell: You are paraphrasing now.

Mr. Fleischmann: I am indeed paraphrasing. I was delighted with that answer because I did not want to get involved. It was not my concern and I so advised Mr. Blakley that evening.

Mr. Bell: Did you meet with him?

Mr. Fleischmann: Yes, I did. I went to pick him up and we went downstairs for a drink in the bar in his office suite, which I believe is called Penelope's, as I subsequently read in the transcript.

I understand Mr. Cannon has made reference to my meeting Mr. Blakley in the middle of a meeting he was having with Mr. Cannon. That is incorrect. I was meeting with Mr. Blakley. We had a drink downstairs starting at about a quarter to six. Mr. Cannon came into the bar and advised Mr. Blakley that there was an urgent document he had to sign. I said hello to Mr. Cannon. I think it was the first time I ever met the gentleman. I believe it was Mr. Blakley who introduced me to Mr. Cannon.

If there were ever any pejorative words or words said in jest about the hack thing, that is where it would have happened. It was not my introduction or my saying to Mr. Cannon anything of the sort. I have no recollection whatsoever of ever saying that to Mr. Cannon. I left after no more than 20 minutes.

Mr. Bell: Before you left, what did you and Blakley talk about?

Mr. Fleischmann: I told him there was nothing I could get involved in with respect to his negotiations for his severance from the provincial government.

Mr. Bell: Did you talk about Wyda at all?

Mr. Fleischmann: Not to my recollection. He mentioned that Wyda had gone ahead and made a deal.

Mr. Bell: You knew that already.

Mr. Fleischmann: I knew that.

Mr. Bell: Is there any other entry after April 9 in this chronology that has to do with efforts on your behalf vis-à-vis Wyda in any context.

Mr. Fleischmann: April 9, 1986?

Mr. Bell: Yes.

Mr. Fleischmann: No. I sent them my account.

Mr. Bell: You sent them your account on April 7, as we will see, but with reference to these diary entries, did you do anything else for Wyda after April 9?

Mr. Fleischmann: No, absolutely not.

Mr. Bell: Or in connection with Wyda?

Mr. Fleischmann: No.

Mr. Bell: I am going to try to shorten this. There are a number of--it is a fair description to call them numerous--references from May 9 forward of matters involving you and/or Mr. and Mrs. Caplan and/or representatives then and current of her staff. They speak for themselves. Let us deal with them one at a time, backward.

In regard to the references to her staff, do any of those have to do with any discussions or dealings between you and them as for Wyda and IDEA?

Mr. Fleischmann: Never.

Mr. Bell: Mrs. Caplan?

Mr. Fleischmann: Never.

Mr. Bell: Mr. Caplan? They must have.

Mr. Fleischmann: Yes.



Mr. Bell: Are you able to indicate from the references in your diary which of the notations involving Wilf Caplan dealt with Wyda?

Mr. Fleischmann: Yes, I think I can, but I have to go back to 1985. From the end of August 1985 until April 7, 1986, I had no discussion with Mr. Caplan about Wyda and the IDEA Corp.

Mr. Bell: After what date?

Mr. Fleischmann: Between the end of August or the beginning of August 1985, for that matter, and April 7, 1986, or a couple of days before that, when he advised me that the deal had been made by Wyda, but that has nothing to do with the IDEA Corp. I had discussions with him about scientific research tax credits but never again about the IDEA Corp.

Mr. Bell: None of the reports that you made to Wyda as to your progress vis-à-vis--

Mr. Fleischmann: They were made to Mr. Dobzinski.

Mr. Bell: Let me finish the question. As to your progress vis-à-vis IDEA were made to Caplan?

Mr. Fleischmann: No.

Mr. Bell: None of your meetings with Mr. Caplan dealt in any way with your efforts on Wyda's behalf as for the IDEA Corp.?

Mr. Fleischmann: I am sorry?

Mr. Bell: None of the meetings that you had during that interval with Mr. Caplan dealt in any way with your efforts on Wyda's behalf vis-à-vis the IDEA Corp.?

Mr. Fleischmann: No.

Mr. Bell: Why?

Mr. Fleischmann: Because I was not dealing with the IDEA Corp. any more. My dealings with the IDEA Corp. ceased for all intents and purposes after my final discussions with Mr. Barnes at the end of August 1985, when I already knew that they were taking the file seriously and that they were indeed going to go ahead and investigate the file and process it. At that point, my job was completed vis-à-vis the IDEA Corp. I was quite surprised to learn that the file had been completed--pleasantly surprised, I might add--in April 1986.

Mr. Bell: How did you hear about that?

Mr. Fleischmann: Mr. Caplan called me.

Mr. Bell: What did he tell you?

Mr. Fleischmann: They had made a deal with the IDEA Corp. whereby the IDEA Corp. was going to invest--I cannot remember whether it was \$1.7 million now and the option to invest \$1.3 million within the next year or vice versa in terms of the numbers. Then he called back a few days later and said they had decided to invest everything all at once, and I changed my account to read that way, accordingly.

Mr. Bell: Would you turn to tab 6 of your material and just describe for the committee what this is?

Mr. Fleischmann: My account.

Mr. Bell: More particularly.

Mr. Fleischmann: On April 7, I sent an account that said "\$17,000 upon closing," which I understood to be the amount which the IDEA Corp. was then going to invest, and "\$13,000 upon IDEA Corporation exercising their option," so the "Total of this account" was \$17,000. That was dated April 7.

When I subsequently learned that they were indeed exercising their option, I sent an additional account of \$13,000, which is dated April 21. I cannot tell you why there is the length--it may be that Mr. Caplan did not tell me until a week later that they were exercising their option. I do not have a recollection of the exact dates.

Mr. Bell: In any event, you can confirm that you were paid the \$30,000 total fee by one cheque?

Mr. Fleischmann: Yes, I was.

Mr. Bell: It is Mr. Caplan's evidence that he delivered that to you on the date the cheque was drawn, April 18, 1986. Can you confirm that?

Mr. Fleischmann: I believe that is correct.

Mr. Bell: Members, you may want to cross-reference some of this material. The April 7 account you can just note Q-14. It is part of the Wyda material that you have reviewed with other witnesses.

There is a notation, I take it, on two occasions in this material showing the account is paid in full April 21, 1986?

Mr. Fleischmann: Yes.

Mr. Bell: Is that an internal document to your office?

Mr. Fleischmann: Yes, it is.

Mr. Bell: The last document is what?

Mr. Fleischmann: I am sorry. Which--

Mr. Bell: The last document in this pile at tab 6.

Mr. Fleischmann: That is my deposit receipt.

Mr. Bell: Showing what?

Mr. Fleischmann: A deposit of \$30,000 from Wyda Systems, April 21.

Mr. Bell: Deposit where?

Mr. Fleischmann: TD Bank, my bank, at the Toronto-Dominion.

Mr. Bell: Into the corporate account?

Mr. Fleischmann: Yes.

Mr. Bell: What happened to the money?

Mr. Fleischmann: I am still spending it. I am sorry, I do not mean to be facetious. It is in the corporate account and is being dealt with in the normal manner that I deal with any other receipt received as a fee.

5:10 p.m.

Mr. Bell: Did you or your company or any associated or related company pay, or do you intend to pay, directly or indirectly, to Mr. Caplan or anyone on his behalf, any money or confer any benefit to him or any members of his family in respect of the \$30,000 you received from Wyda?

Mr. Fleischmann: No.

Mr. Bell: Are there any other documents in your possession, power or control or that of your companies or any associated companies that would corroborate that answer you have just given? Let us call a spade a shovel, as my partner John Clement used to say: What can you do to satisfy this committee that \$30,000 was not in any way used to benefit Mr. Caplan?

Mr. Fleischmann: Mr. Bell, as my former partner used to say, how do you prove something did not happen?

Mr. Bell: That is a good answer, Mr. Fleischmann.

Mr. Fleischmann: It is the answer I gave you in other words a few days ago as well.

I understand the concern of the committee. I have discussed this matter with my counsel, and I think I have made full disclosure of literally everything I could conceivably lay my hands on that related indirectly to this matter. I do not know how I can prove a negative, except to say that I would make the offer to the committee that, if the committee is prepared to empower you, its counsel, to hire a private auditor or anyone else to investigate my company's books, my personal books, my wife's books, my family's books, anything you want, to make a determination, I am happy to accept that, subject to its being your decision as to whether the matters that may come out are relevant to this matter. I am not prepared to have all my personal things gone into and come out in a matter that is unrelated to this issue. I am prepared to allow you to be the judge of whether it is.

If the committee is prepared to accept that proposition, I am happy to make it. I do not know how else I can prove to the committee that there have been absolutely no offers, acceptances, rewards to Mr. and Mrs. Caplan, to the family, to the Oriole Liberal riding association, to anybody, in relation to this matter. In fact-- Well, no, I will leave it there.

Mr. Bell: If the committee was to accept your suggestion, would it be your understanding that if, as a result of that review, anything was indicated that was inconsistent with the answers you have given, that could be shared with the committee in a public way?

Mr. Fleischmann: Absolutely.

Mr. Lederman: You have to understand too, Mr. Bell--and this arises



out of previous matters--it is Mr. Fleischmann's wish that you make that determination as to the issue of relevancy.

Mr. Bell: I understand.

We know from Mr. Caplan that his company, Damaza, performed two specific services for your company during the times material to the committee, i.e. between May 1985 and June 1986, and that they were done for two clients of yours. Without revealing the names of the clients, can you give the committee some description of what he did for you on each of those occasions?

Mr. Fleischmann: He prepared reports on matters. In the one instance, my client had requested a certain analysis of information, or certain information. He prepared the report for me on two specific matters related to the one client. Then he did an analysis of a project which I was involved with on behalf of another client, neither of which had anything remotely to do with the IDEA Corp., with Wyda, with any associated company or anything of the sort.

Mr. Bell: We know from Mr. Caplan that he was paid fees of \$1,000 and \$1,500, a total of \$2,500 for the two reports.

Mr. Fleischmann: Yes.

Mr. Bell: Did your clients ultimately pay those accounts?

Mr. Fleischmann: No. I absorbed those moneys because in both cases I am on a retainer with those clients. It is my responsibility to provide the information under that retainer. If I have to seek outside assistance to get it, that is my problem.

Mr. Bell: Is that part of your practice?

Mr. Fleischmann: Yes. As I indicated in my initial tab, item 2, we retained consultants of our own from time to time and I paid for them.

Mr. Bell: In your opinion, was there value for the fee charged by Mr. Caplan for the service he provided to you on those occasions?

Mr. Fleischmann: I believe so. We had an agreed fee of \$150 an hour.

Mr. Bell: Was the information in either of the two reports passed on to the client?

Mr. Fleischmann: Yes, in both cases.

Mr. Bell: Do you know whether the clients used that information in any way?

Mr. Fleischmann: I cannot tell you what they did with the information. I have no way of knowing what you mean by "used." It was useful information to them in both cases, I can tell you that much; very useful.

Mr. Bell: Did you ever receive any indication from either of the clients that they were disappointed in the information passed on?

Mr. Fleischmann: No, not at all. One matter was statistical in nature and the client could draw his own inferences from it. The other was an analysis of a report that I was doing.

Mr. Bell: I understand you have a concern that the identity of the clients not be disclosed?

Mr. Fleischmann: Yes.

Mr. Bell: Could you explain your reasons for that?

Mr. Fleischmann: Yes. In both cases, they are matters of continuing and ongoing commercial interest and nature. In one case in particular there is a very significant ongoing matter.

Mr. Lederman: As you know, Mr. Bell, the names of the clients have been revealed to you.

Mr. Bell: Yes. I still have the reports.

Can you comment to what extent the type of work Mr. Caplan did is in the nature of accounting advice?

Mr. Fleischmann: The second one was very much so. It was an analysis of a proposal I was making which had very heavy accounting implications to it. It was numerical.

Mr. Bell: I do not think we were able to determine from Mr. Caplan precisely when you retained him for those two matters. Could you assist us?

Mr. Fleischmann: September or October 1985 in both cases. One was September and one was October, but I cannot recall which was which.

Mr. Bell: I want to talk to you about additional IDEA financing to Wyda. The committee has heard evidence that there has been a conditional approval of another \$500,000. What, if any, relevance does that have to the terms of your retainer with Wyda?

Mr. Fleischmann: It was of great interest to me when I read that in the transcript, because as far as I am concerned, there is an additional fee of \$5,000 owing to me which I intend to talk to Mr. Dobzinski about.

Mr. Bell: Why?

Mr. Fleischmann: Because that was under the terms of my original retainer, unless there is something in the transcript of which I am not aware.

Mr. Bell: At tab 7 of your material--I will just cover this and then stop--you have provided me with a phone message from Peter Barnes of August 20, 1985. Do you have that?

Mr. Lederman: We have not received a copy of that.

Mr. Fleischmann: I am aware of it.

Mr. Bell: Does this have anything to do with your dealings on Wyda's behalf with IDEA?

Mr. Fleischmann: Yes.

5:20 p.m.

Mr. Bell: Can you tell us about it?

Mr. Fleischmann: It was in the nature of the ongoing discussions I was having in August 1985. I think it was on August 19, was it? No, sorry.

Mr. Bell: August 19.

Mr. Lederman: Excuse me, Mr. Bell. May I just ask the clerk for a copy of that?

Mr. Bell: Yes, he is getting it for you right away.

Mr. Fleischmann: I see where I called Mr. Barnes August 23. I think that in the nature of my ongoing work in this matter. I was staying in touch with Mr. Barnes to find out whether the matter was being processed. This was just another one of those instances where Mr. Barnes and I were continuing to communicate about the file.

Mr. Bell: In any event, he called you on August 20 and it was about Wyda?

Mr. Fleischmann: Yes. It was the only thing I had to discuss with him at that time, I believe. I am sorry. There was one other file which I was discussing with him, but I do not think it took place until later and I think Mr. Barnes had left at that point.

Mr. Bell: Okay. I do not have any further questions at this time.

Mr. Chairman: We have 10 minutes before we break for supper. Mr. Pope, would you like to begin now?

Mr. Pope: Sure. Maybe it would be helpful to the committee if I start this off.

When was Canadian InterCorp incorporated?

Mr. Fleischmann: I believe it was in March 1982.

Mr. Pope: Who were the incorporating directors?

Mr. Fleischmann: I do not know. I can check that for you.

Mr. Pope: Do you have a minute book for this company?

Mr. Fleischmann: Yes. I believe Mr. Bell's firm would have all of that material. Mr. Bell's firm acts for me or acted for me, until we found out about Mr. Bell's involvement in this process, as my incorporator, as my lawyers incorporating the company.

Mr. Pope: How many pages in length were the two reports that Mr. Caplan produced for you?

Mr. Fleischmann: One, which was the analysis, I believe, was two pages, and the other one would have been four, five or maybe six pages. I am not sure but something in that order. I know one was two pages.

Mr. Pope: Has anyone else ever been an officer or director of Canadian InterCorp, and if so, who were they?



Mr. Fleischmann: To the best of my knowledge, other than my office staff or my direct family, no one else that I am aware of.

Mr. Pope: What do you mean by direct family?

Mr. Fleischmann: My father or my wife.

Mr. Pope: What is your wife's name?

Mr. Fleischmann: Paulette.

Mr. Pope: Where does she work?

Mr. Fleischmann: She works for Ellis-Don Ltd.

Ms. Fish: I am sorry. I cannot hear you.

Mr. Fleischmann: Ellis-Don. Sorry. I thought this light was on.

Mr. Pope: Your wife Paulette works for Ellis-Don?

Mr. Fleischmann: Yes.

Mr. Pope: Does she work for Mr. Smith?

Mr. Fleischmann: Yes, she does.

Mr. Pope: Does she work in Toronto for Mr. Smith?

Mr. Fleischmann: Among other places, yes.

Mr. Pope: During the course of her work with Ellis-Don and Mr. Smith, does she happen to have a desk at the Ontario Liberal Party headquarters?

Mr. Fleischmann: I believe that is where he operates, yes.

Mr. Pope: Yes.

Mr. Fleischmann: Among other places.

Mr. Pope: Yes. Who was employed in your Ottawa office from 1982?

Mr. Fleischmann: There were a variety of people, but the person who was principally responsible for the operation of that office was Sylvie Lamoureux. There was Heather Campbell, who was my research assistant in Ottawa, who subsequently came to Toronto and is the economist and research person referred to in my note at tab 2.

Mr. Pope: Yes.

Mr. Fleischmann: Do you want the name of the secretary? I can get it for you.

Mr. Pope: That is fine.

In 1980, you went to Ottawa?

Mr. Fleischmann: That is correct.

Mr. Pope: Was that after the 1979-80 election, just at the end of the year there?

Mr. Fleischmann: That is correct.

Mr. Pope: You went with whom?

Mr. Fleischmann: John Roberts.

Mr. Pope: What was his ministry position?

Mr. Fleischmann: He was Minister of State for Science and Technology and Minister of the Environment at the time I was with him.

Mr. Pope: You were his executive assistant?

Mr. Fleischmann: Yes, that is correct.

Mr. Pope: During that time, were programs such as the scientific research tax credit established?

Mr. Fleischmann: Not to my knowledge.

Mr. Pope: Were there any government programs at the federal level administered by the Ministry of State for Science and Technology for the private sector?

Mr. Fleischmann: Yes, but not directly. Those programs were administered through the National Research Council. Quite a number of programs were under the National Research Council and it reported through the Minister of State for Science and Technology, but it was an independent agency.

Mr. Pope: At that time, was Mr. Roberts the regional minister for the Toronto area?

Mr. Fleischmann: Not to my knowledge.

Mr. Pope: You do not know anything about that?

Mr. Fleischmann: No, he was not.

Mr. Pope: In the course of your engagement as executive assistant, did you have contact with officials in other departments, including the Department of Regional Industrial Expansion and with executive assistants to a number of ministers?

Mr. Fleischmann: I am sorry. Could you rephrase it, please?

Mr. Pope: I will break it up.

Mr. Fleischmann: Sure, please.

Mr. Pope: In the course of your duties as executive assistant, did you have contact with other executive assistants of other ministers?

Mr. Fleischmann: Federal ministers?

Mr. Pope: Yes.

Mr. Fleischmann: Oh, yes.

Mr. Pope: In the course of carrying on your duties as executive assistant to Mr. Roberts, did you have contact with civil servants at the federal level?

Mr. Fleischmann: Certainly.

Mr. Pope: Is that where you first met Mr. Braithwaite?

Mr. Fleischmann: No.

Mr. Pope: You had never met him before?

Mr. Fleischmann: I did not meet him when I was the executive assistant to the minister.

Mr. Pope: You did not?

Mr. Fleischmann: No, I did not.

Mr. Pope: When did you first meet him?

Mr. Fleischmann: I met Mr. Braithwaite some time in 1982; after March, after I had left Mr. Roberts's employment.

Mr. Pope: How many retainers were you paid in 1982?

Mr. Fleischmann: I have no idea.

Mr. Pope: In 1983?

Mr. Fleischmann: If this is information the committee wants, I can obtain it. I will go through my records and find out.

Mr. Pope: In 1984?

Mr. Fleischmann: The same answer applies.

Mr. Pope: In 1985?

Mr. Fleischmann: May I ask you, Mr. Pope, to clarify what you mean by being paid retainers? I am not sure what you are referring to.

Mr. Pope: You used the term and I am just using your own term so I do not misunderstand it. You talked about retainers all the way through.

Mr. Fleischmann: When we are referring to retainers, I am referring to the retainers in the nongovernment-assistance program area. That is my reference to a retainer, which is an ongoing association with a client.

Mr. Pope: That does not involve government assistance?

Mr. Fleischmann: No, that does not involve government assistance.

Mr. Pope: What do you call it when you have an ongoing relationship that does involve government assistance?



Mr.-Fleischmann: There are no such things.

Mr. Pope: Wyda did with the IDEA Corp.

Mr.-Fleischmann: No. They are on a project basis. After the project is completed, my business with the client is completed.

Mr. Pope: I am sorry. I did not appreciate that. There are projects and then there are ongoing retainers?

Mr.-Fleischmann: Yes.

Mr.-Pope: Okay. Sorry. How many projects did you get paid for in 1985?

Mr.-Fleischmann: In 1985? You will have to bear with me because I am going to have to count. Some of them overlapped, so it is hard to break them down, but there would be probably a dozen or more of various sizes. There could be more, but I would have to check with my staff.

Mr.-Pope: These are projects for which you were paid in 1985?

Mr.-Fleischmann: Or in 1984. If this is something for which you wish an answer in specific detail, I can obtain it for you. I can go through my records and let you have that.

Mr. Pope: Can I just lay out the background to the question so that you know where I am headed upfront?

Mr.-Fleischmann: That would be helpful.

Mr. Pope: Mr. Barnes was very specific. He quoted you as saying you were a political hack. You were on your way to Toronto from Ottawa. You did not know much about the Ontario government programs and could he explain them to you? I think that is a fair interpretation of what he said. Would you agree with those terms he used in giving his evidence?

5:30 p.m.

Mr.-Fleischmann: No, I would not. Mr. Barnes is totally incorrect. I had been living in Ottawa for three years at the time I met him. I had been operating in Toronto for three years. All of the programs I related to you that were federal were not in Ottawa, they were located at Commerce Court in Toronto, which is the headquarters for the federal government's involvement. Mr. Barnes is totally incorrect. Mr. Barnes totally misunderstood, which is the only interpretation I can give.

Mr. Pope: In the context of resolving this difference of points of view of this meeting, that is why I am asking the questions about the specific payments that were made to you for your services--

Mr. Fleischmann: I appreciate that. That is why I am telling you that I read with some amazement Mr. Barnes's testimony that I had just come down from Ottawa. I had been living here for three years. If you want my leases, I can show them to you. I do not know where he got all of this information, unless he was doing exactly what I said, and that is mixing up the background to how I got into this business in terms of what I was now doing.

Mr. Pope: What other provinces have you worked on, either projects within or accepted retainers with respect to what other provincial governments?

Mr. Fleischmann: New Brunswick and Alberta.

Mr. Chairman: Earlier today we agreed that we would break at 5:30 p.m., resume at seven o'clock and hope we will not have another midnight session. We will break now until seven.

The committee recessed at 5:32 p.m.





STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

MONDAY, JULY 21, 1986

Evening Sitting



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Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Shibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

witnesses:

Fleischmann, I., President, Canadian Intercorp

Lederman, S. N., Counsel to Mr. Fleischmann; with Stikeman, Elliot

LEGISLATIVE ASSEMBLY OF ONTARIO  
STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday, July 21, 1986

The committee resumed at 7:05 p.m. in room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

Mr. Chairman: Before we resume the questioning, we have one matter of concern, and I look to the committee to provide direction. There was an indication we would like to recall Mr. Barnes. He is leaving tomorrow on government business for an indefinite period. We were not able to ascertain just how long. He is available this evening if we give him notice in the very near future.

Mr. Epp: I think we have a slot open from 12 o'clock to two in the morning.

Mr. Chairman: What is the feeling? He has other plans, apparently. I would hate to have him cancel them.

Mr. Philip: Can he not be here tomorrow morning?

Mr. Bell: He has a flight at seven o'clock.

Mr. Philip: Can we not meet him at five o'clock tomorrow morning? I would be in better shape than at midnight tonight.

Mr. Chairman: I get the impression we are not going to be able to deal with it.

Mr. Philip: We have to have him.

Mr. Chairman: I am saying this evening.

Mr. Epp: How is 9:30?

Mr. Chairman: The clerk advised me Mr. Barnes may want to review the transcript of the testimony that took place today before appearing before us.

Mr. Ward: We are starting an hour early tonight. Can we bring him in at 10:30?

Mr. Pope: You lied to us about the 5:30 to 7 p.m. break.

Mr. Chairman: I never lie.

Mr. Philip: Why do you not find out when he is going to be back?

Mr. Epp: He is leaving for more than one day, is he not?

Mr. Bell: Yes, that is my information.



Mr. Chairman: I have a problem with shoving him in here in any event because there is no indication of how long we may want to question him. If we bring him in at 10 p.m., there is no clear indication that we are going to be completed with his testimony by 10:30 or 11.

Mr. Ward: Can he not rearrange his business?

Mr. Bell: My information is that he says no.

Mr. Chairman: Let us proceed with the questioning of Mr. Fleischmann, and the clerk can attempt to determine when Mr. Barnes expects to be back in Toronto. Mr. Pope, you have 10 minutes remaining.

Mr. Pope: Did you hold any position in Ottawa other than executive assistant to Mr. Roberts?

Mr. Fleischmann: No.

Mr. Pope: Did you ever work anywhere other than in Mr. Roberts's office and for Canadian InterCorp in Ottawa?

Mr. Fleischmann: No.

Mr. Pope: Did you ever have a discussion with Mr. Caplan about his establishment of his consulting company?

Mr. Fleischmann: Wilfred Caplan?

Mr. Pope: Yes.

Mr. Fleischmann: No.

Mr. Pope: Did you ever have a discussion with Mr. Caplan about his fees and your fees?

Mr. Fleischmann: In relation to what? I am sorry.

Mr. Pope: To consulting work.

Mr. Fleischmann: I had a discussion about his fees in relation to the work I asked him to do for me, and he had a discussion with me in relation to the work I was doing for Wyda.

7:10 p.m.

Mr. Pope: Did you have any discussion before the specific meeting on Wyda about what fees were to be charged by consultants of the nature of yourself and himself?

Mr. Fleischmann: Not to my recollection.

Mr. Pope: It is just coincidence that your monthly retainers of \$2,000 are the same?

Mr. Fleischmann: I am not sure where you got that number from, but it is incorrect.

Mr. Pope: It is?

Mr. Fleischmann: Oh, yes.

Mr. Pope: Incorrect from whose point of view?

Mr. Fleischmann: I do not know what Mr. Caplan charges, but I charge a variety of fees to a variety of clients.

Mr. Pope: Fees ranging from \$2,000 to \$10,000?

Mr. Fleischmann: No. I think what you are reading is the fee that I charge for the preparation of an application and it can vary, depending on the amount of work I do.

Mr. Pope: That is exactly the kind of work Mr. Caplan did, preparing the application, and he charged \$2,000 a month. You are saying there is no explanation for that correlation.

Mr. Fleischmann: That is your characterization. I do not accept it at all. My fee was on a retainer basis.

Mr. Pope: What about characterizing?

Mr. Fleischmann: That we had some coincidence with respect to the fees we were charging and that we had discussed it in some way, I have to--

Mr. Pope: I asked the question. I did not say you did.

Mr. Fleischmann: I have given you my answer and my answer is no.

Mr. Pope: When did you first hear of the Cumberland Group?

Mr. Fleischmann: I believe it was some time in August 1985.

Mr. Pope: You never heard of it before then?

Mr. Fleischmann: Never.

Mr. Pope: Did you ever know Mr. Leo Gray?

Mr. Fleischmann: No. I would not know him if he walked in here right now.

Mr. Pope: You never met him in Windsor?

Mr. Fleischmann: No.

Mr. Pope: Were you in Windsor?

Mr. Fleischmann: Yes, I have been in Windsor.

Mr. Pope: You have read the transcript. You know what I am talking about. Let us not get coy. Were you in Windsor for the Ontario Liberal Party convention and did you meet Leo Gray and Wilf Caplan there?

Mr. Fleischmann: I am not being coy. No, I was not in Windsor for the convention. No, I did not meet Mr. Gray there. Yes, I was in Windsor to lecture on behalf of the federal government and the provincial government on government assistance programs in 1983.

Mr. Pope: Did you ever meet Mr. William David Greenberg?

Mr. Fleischmann: No, I have not.

Mr. Lederman: Do you want to ask whether he met him in Windsor?

Mr. Pope: I may then. Did you ever meet him in Windsor?

Mr. Fleischmann: No, I did not.

Mr. Pope: Have you ever met Mr. Cannon or Mr. Logan?

Mr. Fleischmann: I do not recall meeting Mr. Logan. I believe it was Mr. Cannon I met at Penelope's bar on April 9, 1986. That may have been Mr. Logan. To tell you the truth, it was April 9. It was one of the two gentlemen, I know that.

Mr. Pope: Do you know which one?

Mr. Fleischmann: Mr. Cannon's name seems to ring a bell with me, but it may have been Mr. Logan. I am not sure.

Mr. Pope: When did you prepare document 1?

Mr. Fleischmann: It would have been some time in 1985, I believe. This was the ongoing refinement of a letter which we were changing from time to time. Primarily, my staff drew the documentation and I approved it. The person who, in fact, drafted this one is not in the room yet, but she will be reattending. She was here this afternoon.

Mr. Pope: I believe you testified this afternoon that after the end of August 1985 you had no more to do with Wyda and IDEA Corp.?

Mr. Fleischmann: I had no more to do with Wyda with respect to the IDEA Corp. That is correct.

Mr. Pope: I have read document 2. Can you tell me exactly what you did for your \$30,000?

Mr. Fleischmann: Yes. I introduced the file to the IDEA Corp. and the IDEA Corp. subsequently invested in the company to the extent of \$3.5 million, I now understand, as opposed to the \$3 million I understood before. That was what I was being paid a fee for.

In addition to that, of course, I did all the other work that was the follow-through on the introduction, to ensure that the IDEA Corp. was the proper vehicle for this kind of investment and that it was going to proceed to investigate the project to ensure it was a viable one and one in which it wished to invest. In addition to that, I met with two private investors, seeking investments from them in the company, and I dealt with many inquiries with respect to the scientific research tax credit applications, but it was the success of the IDEA Corp. application that led to the actual fee being paid.

Mr. Pope: That was one per cent of the financing raised.

Mr. Fleischmann: One per cent, which I might add is substantially less than what I understand the going rate for finders' fees is.



Mr. Pope: I would like to talk about that, about contingent fees and finder's fees. Are you aware it is against the policy of the IDEA Corp. to pay those things?

Mr. Fleischmann: Not until I read it in these transcripts. I never heard of such a thing. I have looked through the IDEA Corp. file, and nowhere in the IDEA Corp. material is that listed. If it is against its policy, it is a strictly internal policy matter which was never documented.

Mr. Pope: Did you ever have a discussion with Mr. Barnes or anyone else about your fees?

Mr. Fleischmann: Yes. I talked to Mr. Barnes, as I testified earlier, as to how my fee structure is predicated. I am certain I did that in the normal introduction of my service.

Mr. Pope: Can you tell me precisely why your services would be needed to introduce a company to IDEA Corp.?

Mr. Fleischmann: That is not for me to answer. The service was not for the introduction to the IDEA Corp. The service was to advise the client as to all possible sources of government assistance, and that included the federal government. My function was to seek out the best and most probable source of government assistance, and that is exactly what I did.

Mr. Pope: Why are your services needed?

Mr. Fleischmann: Because it seems from the day I began this business that the private sector just does not know how to deal with government programs. It does not know where to seek them out. Both levels of government have tried for years to provide centralized data banks so that the business community can go and approach it in the proper manner. It has never been successful. That is why I established this company, for that very reason.

I might add that the business community is very reluctant, even to this day in my dealings with it, to access government programs, because it does not understand the mandate of the government in dealing with the taxpayers' dollars. There is a misconception in the business community that everything is in the form of grants. There is also a major misconception in the business community about what the government requires of the company once it has provided some assistance, that is to say, the monitoring process.

Mr. Pope: Is it not a fact that the IDEA Corp. has staff that help the applicants?

Mr. Fleischmann: So does every other government agency, absolutely.

Mr. Pope: So what are your services needed for?

Mr. Fleischmann: The clients seem to think my services are needed. In fact, at the industrial regional development program level, the applications are very complex and cover many areas. Because I was able to provide the service in preparing those applications, we saved a considerable amount of time whereby the project officers did not have to go through that process.

Mr. Pope: What process?

Mr. Fleischmann: The preparation of the applications and going back time and again to revise and review the applications with the applicants.

Mr. Pope: You did not provide that service this time. They extensively revised the documentation over a period of six months.

Mr. Fleischmann: That is correct. I did not provide that service this time. That was not part of my mandate.

Mr. Pope: Your mandate was the introduction?

Mr. Fleischmann: My mandate was to find the appropriate source of financing at the provincial or federal level, and that is what I did.

Mr. Pope: Mr. Caplan indicated in his conversations with Blenus Wright and Mary Eberts that he already knew about IDEA Corp. What precisely were you employed by Mr. Caplan to do?

7:20 p.m.

Mr. Fleischmann: As I said before, I was to investigate all sources of government assistance. I might remind you that the very first source I went to was the federal government, not the provincial government.

Mr. Pope: What other applications did you make for provincial government assistance?

Mr. Fleischmann: On this file?

Mr. Pope: Yes.

Mr. Fleischmann: No other applications.

Mr. Pope: So that is all you did, and Mr. Caplan already knew it existed.

Mr. Chairman: You have one minute, Mr. Pope.

Mr. Fleischmann: I cannot answer for what Mr. Caplan knew. I was asked to provide the service, to seek out the best possible source and avenue of government assistance, and that is what I did.

Mr. Pope: You met with the Ontario Development Corp. in 1983--and that is document 3. I refer to the two paragraphs, first of all, fourth dash from the end, then the one at the end and the fifth from the end. "Croll requested our feedback after working with the field offices.

"Croll expressed a concern over the use of consultants by the applicants. This is due to the fact that the field officers require only a two-page application accompanied by financial statements and meet with the applicant to fill in the verbiage...."

"Since the ODC programs are more flexible, there is no guidelines for presentation to our clients, nor is there a definite eligibility criteria that we may use to encourage or discourage applicants."

After that meeting, you never got back to them. As you said, you never reported back about any problems with field offices. Can you not interpret this as telling you to go get stuffed?

Mr. Fleischmann: No.

Mr. Pope: Why not? They obviously indicated to your satisfaction that you had no function to play. You never saw them for two years after this.

Mr. Fleischmann: No, that is incorrect. I did not see the chief executive officer after this, but certainly my staff did deal with ODC and made a variety of inquiries.

Mr. Pope: Did you?

Mr. Fleischmann: Yes, I did.

Mr. Pope: How often?

Mr. Fleischmann: Not that often. I would say, maybe--I would be guessing here--half a dozen times a year; certainly no more than that.

Mr. Chairman: The next questioner is Mr. Gillies.

Mr. Gillies: Mr. Fleischmann, I would like to ask you a couple of questions about the breakfast meetings with Mrs. Caplan, because there has been some question with her testimony as to what your role was there. Did you attend any of the fund-raising breakfasts that were held by the Oriole Liberal Association in the last year or so?

Mr. Fleischmann: Yes, I did.

Mr. Gillies: Did you pay the \$250 contribution to attend?

Mr. Fleischmann: No, I did not.

Mr. Gillies: Can you tell us in what capacity then or on whose tab you attended?

Mr. Fleischmann: Yes. I was there on behalf and with, as a guest of, two different clients.

Mr. Gillies: Have you attended two of these?

Mr. Fleischmann: I believe it was two. I think that is correct.

Mr. Gillies: Did you take any role in the organization of these breakfasts at all?

Mr. Fleischmann: Yes, I did.

Mr. Gillies: You sold tickets for them?

Mr. Fleischmann: Yes, I did.

Mr. Gillies: Do you know roughly how many tickets you would have sold for those breakfasts?



Mr. Fleischmann: I think I was much more active in the first one in 1985.

Mr. Gillies: Can you just ball-park it for us?

Mr. Fleischmann: A dozen--10 to 12, I think; something in that order.

Mr. Gillies: So you managed to bring in through your efforts somewhere between \$2,500 and \$3,000.

Mr. Fleischmann: I think that is a fair assessment, yes.

Mr. Gillies: Mr. Pope has touched on this, and I do not want to belabour it, but in your dealings with the various people that you contacted at IDEA, you talked to, we think, Mr. Cannon once, Mr. Blakley and so on. Were they aware of the fee structure under which you were operating with Wyda?

Mr. Fleischmann: I could not answer that question. I doubt I would have spoken with Mr. Cannon or anyone else other than the original conversations which I had in introducing myself to Mr. Barnes. I do not recall any conversation after that about fees.

Mr. Gillies: As you have told my colleague, until you saw the transcripts of this hearing, you were unaware that--I am just quoting from the minutes of the IDEA meeting held on June 18, which say, "Mr. Cannon confirmed that it is normal practice to ensure that none of the funds by IDEA are used for commission fees and said that he was unaware of any investment made by IDEA where this has happened." He may well have been unaware because it is unlikely that he knew the financial mechanism under which you were operating.

Mr. Fleischmann: Was that Mr. Logan?

Mr. Gillies: No. It was Mr. Cannon.

Mr. Fleischmann: Yes. That is quite possible. I do not know.

Mr. Lederman: That was the minutes of a meeting, did you say, Mr. Gillies?

Mr. Gillies: If you look in the green binder, it is tab 23. It is the minutes of the IDEA board of directors' meeting held on June 18, 1986. It is on page 20, about halfway down. If you look in the middle paragraph there, it starts, "Mr. Cannon...."

Mr. Fleischmann: Yes.

Mr. Gillies: Having read that then, that is a fair characterization that he likely was not aware of your retainer or--

Mr. Fleischmann: If he said that, I would have to assume he was not aware of it.

Mr. Gillies: All right. The other side of that coin is then that you had no way of knowing that this was apparently against the rules of the IDEA Corp.

Mr. Fleischmann: No, none whatsoever.

Mr. Gillies: Can I go back for a second to the breakfasts again? At a time when you were working in a business venture with Mr. Caplan in procuring provincial funds, did the propriety of your raising funds from Ms. Caplan strike you at all? Did that cause you any concern?

Mr. Fleischmann: None whatsoever.

Mr. Gillies: In your mind, the two things were unrelated.

Mr. Fleischmann: Totally unrelated. I never discussed with Ms. Caplan anything to do with this file or with any other member of this government.

Mr. Gillies: In that same vein, though, you made the point that you make a practice of not discussing applications for funding with politicians or rather with bureaucrats, which is certainly a sound policy, but when you discuss these things with a ministerial assistant such as Mr. Wilkinson, does dealing with the minister's personal staff as opposed to dealing with the minister strike you as any different really in as much as that is political staff? They are not bureaucrats really.

Mr. Fleischmann: Yes. I understand.

Mr. Gillies: Having been an EA yourself, and so have I, do you not see that is really the same thing, dealing with Wilkinson as, say, dealing with Hugh O'Neil?

Mr. Fleischmann: You are quite correct, Mr. Gillies. If I had been dealing with him on the file and seeking his assistance in pushing the file forward, I think that is absolutely correct, but I did nothing of the sort. All I asked Mr. Wilkinson--as I am sure you and I have both had experience in our former roles-- We were being requested to provide the appropriate name of who would properly deal with the file. That is exactly what I did with Mr. Wilkinson. I did not ask Mr. Wilkinson to intercede or intervene in the merits of the file at all.

Mr. Gillies: To the best of your knowledge, did Mr. Wilkinson intervene at any time with Mr. Barnes or with anyone at IDEA or ODC?

Mr. Fleischmann: No, not to my knowledge.

Mr. Gillies: With respect to your dealings with Mr. Blakley, I was struck by your comment that at times you were wondering who was lobbying whom really. In your discussions with Mr. Blakley, on several occasions he raised with you the question of his future in terms of where he was vis-à-vis the portfolio after the windup. Is that a fair construction of those conversations?

Mr. Fleischmann: It is in the 1986 meeting. It is not in the 1985 meeting. In the 1985 meeting, he raised the issue of the future of the IDEA Corp., not his own future.

7:30 p.m.

Mr. Gillies: At the 1985 meeting, you just discussed the future of the corporation with him, but you did you not discuss the Wyda application at all?



Mr. Fleischmann: Other than that he was aware an application had been made by Wyda, yes, but we did not discuss at all the merits or the details of the application, to my recollection.

12. Mr. Gillies: I believe the application had gone in to IDEA on August

Mr. Fleischmann: Yes.

Mr. Gillies: You met Mr. Blakley for drinks on August 19, one week later.

Mr. Fleischmann: Yes.

Mr. Gillies: You did not discuss the application?

Mr. Fleischmann: No. Mr. Blakley is the chief executive officer of IDEA Corp. He would hardly be the appropriate person to discuss a file with. He would not have the faintest idea what the file was about or the merits of the file or what it had anything to do with, at least not to my knowledge. I have never known the head of an agency or--

Mr. Gillies: Okay, fair ball, but then why would you meet with him?

Mr. Fleischmann: As I said before, the whole concept of where the IDEA Corp. was going, what forms of investment it was making in general and what kind of funding it had available under its mandate, all of those are germane questions that would not appear in any of the written material. That is why I met with him, in the same way I met with Mr. Croll and Mr. Joyce and in the same way I met on numerous occasions with federal people in the same position.

Mr. Gillies: To your recollection, during your dealings with IDEA at this time, was there any concern expressed on its part as to whether the corporation was going to be wound down?

Mr. Fleischmann: I am sorry, Mr. Gillies, you say when I met with the IDEA Corp.?

Ms. Gillies: When you met with anyone from IDEA, when you met with Mr. Blakley or when you talked with Mr. Cannon.

Mr. Fleischmann: The only discussion I had at that time regarding the future of the IDEA Corp. was with Mr. Blakley. I do not recall any discussions with anyone else about it.

Mr. Gillies: Mr. Blakley apparently had that concern back in August, and the government did not speculate publicly about the future of the IDEA Corp. until the budget in October.

Mr. Fleischmann: That may well be. I cannot answer for what was in Mr. Blakley's mind. To be fair to Mr. Blakley, it seemed to me he was trying to impress upon me the good work the IDEA Corp. did and the merits of the IDEA Corp, that he had come from the private sector and had turned it around.

Mr. Gillies: And his role in improving its loss.

Mr. Fleischmann: Yes.



Mr. Gillies: As to your August 16 discussion with Mr. Cannon, you said earlier you do not recall too much about the discussion but that you know some of it was about Wyda. Have you any more recollections about that meeting?

Mr. Fleischmann: It had to be about Wyda. I am only surmising here that it was Mr. Barnes who first gave me Mr Cannon's name.

Mr. Gillies: The application having gone in August 12, it would be quite natural that a few days later you might want to talk with someone in the corporation to make sure it was in and being processed.

Mr. Fleischmann: It was not my understanding that Mr. Barnes would be the appropriate party once it got into the system. I believe I got Mr. Cannon's name from Mr. Barnes. I know of no other place that I got it.

Mr. Gillies: I am just going over my notes because Mr. Pope asked some of the questions I intended to ask. One thing you said earlier struck me as a little odd and very honest. You said that when you met with Mr. Dobzinski, he spent some time discussing the technology and exactly what it was that Wyda was about. You said very candidly that you did not have the first idea what he was talking about, which I can relate to.

Mr. Fleischmann: I was perhaps being a little glib in the answer. I understand the end result of what he was trying to accomplish.

Mr. Gillies: That is really what I was going to ask you. Why would he want you to be, in a sense, selling his technology and his company to prospective investors when you do not appear to know much about what it was it was doing.

Mr. Fleischmann: I was not selling anything. I was trying to find out whether the prospective investors had sufficient interest in a new technology that the government appeared to think had considerable merit. Mr. Gillies, you might remember that I did not go off to these people until after the IDEA Corp. had determined it was indeed interested in this application. To my way of thinking, that was sufficient and more evidence that it really was everything Mr. Dobzinski claimed it was, without knowing the technical details of it. Accordingly, I discussed it with a couple of prospective investors.

Mr. Gillies: How many other possible investors would you have talked to on behalf of Wyda, apart from IDEA?

Mr. Fleischmann: As I said, I think there were two.

Mr. Gillies: By the time Mr. Caplan approached you to do some work for Wyda, you were aware that he and the company were already thinking of IDEA.

Mr. Fleischmann: No, I was not.

Mr. Gillies: In testimony before the committee, Mr. Caplan told both Mary Eberts and Blenus Wright that they would be going after IDEA funding and he knew that by June 24 last year.

Mr. Fleischmann: That may well be so, but they never said that to me. As I said before, my mandate when I got called in was to advise Mr. Dobzinski and to try to obtain the best possible source of government assistance wherever I thought that was most appropriate. There was no

limitation on the IDEA Corp. because, as I have said before, my first indication was to go to the federal government. If there is a suggestion that I was there just to replace Mr. Caplan, I find it a very strange process with the IDEA Corp.

Mr. Gillies: I do not want to quote it letter and verse and I am sure someone will jump me immediately if I am misrepresenting this at all, but in a sense Mr. Caplan said that. He really said that after the concerns had been raised and red-flagged about the possible conflict he could get into, he appreciated it would be inappropriate for him to pursue provincial funding, and that is why he brought you in. You are disagreeing with him?

Mr. Fleischmann: I do not recall his saying that is why he brought me in and he certainly never said that to me. I recall no such thing, absolutely no such conversation with Mr. Caplan that I was being brought in to do the funding that he could not. I do not believe that is what he testified to, having read the transcripts.

Mr. Gillies: I will have to look at it again. You are a lawyer. Why would you not have a written contract with Wyda? I am not a lawyer and I would have had one.

Mr. Fleischmann: Maybe the very fact that I am a lawyer is all the more reason I would not have had a written contract. I am again being facetious. It is not my habit to enter into written contracts. If for some reason there are going to be breaches of the agreements, then it is not worth while going through the process of trying to extract funding and to sue on contracts. You can sue on a verbal contract just as well as you can on a written contract where it does not relate to real estate. It is just not my nature or my habit, particularly in this case where Mr. Caplan was an old friend of mine. As I said before, there were many large applications where there were no written agreements, even with people I did not know, and they were honoured.

Mr. Gillies: In hindsight, with the evidence we have now that IDEA has a rule against finders' fees or commissions, if you had had a written contract which became part of the documentation for the application, there could have been a problem right off the bat.

Mr. Fleischmann: I think you are right. It could well be the case, but for the record I want to make clear that was not the reason we had no contract. I knew nothing about the IDEA Corp. rule or policy or what have you.

Mr. Lederman: To be fair, I can see no indication that there is an actual written rule. It seems that was an expression of the normal practice, at least that came out of that meeting.

7:40-p.m.

Mr. Gillies: Fair enough. That is certainly the only evidence we have seen that there is a rule in force.

Mr. Fleischmann: If I had seen in any of this voluminous documentation on the IDEA Corp. that this was the case, I would never have proceeded. That is clear, and I remind you I discussed my fee structure with the federal government and it certainly had no problem with it. It never even crossed my mind.



Mr. Gillies: In your dealings with John Webster, did you discuss with him at any time the Wyda application?

Mr. Fleischmann: Never.

Mr. Gillies: In person or on the telephone?

Mr. Fleischmann: In any way, shape or form, written or verbal, in any possible way.

Mr. Gillies: With any other member of Mrs. Caplan's staff?

Mr. Fleischmann: No, never.

Mr. Gillies: You had lunch with Peter Barnes and a phone call with Mr. Cannon. Your efforts on behalf of Wyda ended at the end of August last year. Is that all you did for \$30,000?

Mr. Lederman: That is not fair in terms of the efforts on behalf of Wyda. He has already testified about the SRTC's. Are you talking about on behalf of Wyda?

Mr. Gillies: On behalf of Wyda with respect to the IDEA Corp.

Mr. Fleischmann: I believe you have missed a number of phone calls back and forth to Mr. Barnes and to Mr. Dobzinski in reporting the process. However, speaking in general, my mandate was to introduce and to ensure that the file was being processed and there was sufficient interest in the file to proceed on behalf of the IDEA Corp. Yes, that is correct.

Mr. Gillies: Just to recap your other evidence, your fund-raising efforts on behalf of Mrs. Caplan would have yielded somewhere up to \$3,000 or so and your two small contracts with Mr. Caplan, which do not seem to amount to much really, \$2,000. Are those the only dealings in terms of finances that you have had with that family at all in the past year?

Mr. Fleischmann: Those are the only dealings I have had for ever, in the past year or otherwise.

Mr. Polsinelli: Mr. Fleischmann, I have a few brief questions. Perhaps you can lead me through some of this evidence and the testimony that you gave.

Mr. Fleischmann: I am sorry, Mr. Polsinelli?

Mr. Polsinelli: I realize the problems some individuals have in understanding what is said without seeing the person talking.

I want you to take me back to your statement in S-1, page 2, of your description of what Canadian InterCorp does, where you talk about the fee arrangements you generally had with your clients. In item C, you say generally that your fee is 10 per cent of the net benefit derived by a client from a successful application. Could you explain how you would calculate the net benefit, for example, in a situation where there is an equity investment in the corporation?



Mr. Fleischmann: Where this is an equity investment, it is something that would have to be negotiated with the client. There are cases and quite a number of different programs and applications where one cannot quantify the net benefit; for instance, where they were receiving technical advice or there was some technical assistance being rendered through one of the agencies. An equity situation would be another one. Although normally the federal government does not deal with equity situations, the Ontario government does. I would have to negotiate that kind of situation with the client directly.

Mr. Polsinelli: I am asking that because of the situation and arrangement you had with Wyda where you took one per cent of the actual investment of \$3 million, working out to \$30,000. Is that a sum that was arranged beforehand? I apologize if you have covered some of this in your earlier testimony.

Mr. Fleischmann: My notation is that we had agreed upon the one per cent fee for any funds I found from any source, whether it be government or private sector. Had I been successful in the SRTC application with Mr. Katchen--all I did in that case was introduce Mr. Katchen to Mr. Caplan and they went at it themselves for the most part; I did a small bit there--I would have earned a one per cent fee of the net benefit deriving from that.

Mr. Polsinelli: I take you now to S-3, the notes of your meeting of March 24 with some of the individuals from the Ontario Development Corp. It indicates, "Deal with local offices and if 'don't get an ear go to directors.'" I realize you covered part of this in your testimony but I am still a little unclear as to the message you left with these individuals from ODC. When you do not get an ear, what does that mean? When you go to the directors, on what basis would they have considered giving you a receptive ear at that time? Did you go into that with them at all?

Mr. Fleischmann: No. In all fairness, what I think they were saying was that if we were having a problem getting a file processed at the junior level, they would not be averse to hearing from us on that application. That is not to say they meant that if the application had been turned down by someone at the local office, we should then go over their heads. If that was the intention, I would never have done it and I never have.

Mr. Polsinelli: At no time did they indicate they were prepared to overturn a decision that had been made by someone at the junior level? In 1983, would they be prepared to review an application that had been processed at the junior level and then subsequently--

Mr. Fleischmann: It is possible, but I must tell you that this is a note of a luncheon that was made by Jim Burns of my office three years ago, which I reviewed with him. I do not want to read more into it than legitimately exists. I think they were asking us--and that is why they subsequently requested our feedback in working with the field offices--were the field officers really being responsive to the needs of the applicants? Reading the juxtaposition of the two comments, I can only assume that is what it means.

I might point out that Croll's request on feedback is an even stranger one. In the next sentence, Mr. Croll said the use of consultants was frowned upon. He knew we were consultants and there he was telling us to give him feedback.

Mr. Polsinelli: That leads me to another question. Did you know of,

or are you familiar with, any restrictions the IDEA Corp. had with respect to contingency fees and the use of consultants?

Mr. Fleischmann: No, I did not; not until I read it in the transcript of these hearings.

Mr. Polsinelli: I have one other question dealing with this. You indicated in your testimony earlier that there was a considerable difference between obtaining federal aid and provincial government assistance. You indicated in your testimony you were surprised at the lack of the regulatory requirements at ODC. In your experience, did that extend to any of the other provincial agencies? I refer specifically to the Board of Industrial Leadership and Development. Are you familiar with how BILD operated and its regulatory requirements? Do you have any comments with respect to that?

Mr. Fleischmann: Yes. It was very difficult to advise a client on an application when one did not know the parameters of what the government or the department expected in the application. Frankly, the message I got from this lunch was that it was somewhat political.

Mr. Polsinelli: You are indicating in your testimony now that in obtaining grants from ODC in 1983 you needed political involvement.

2:50 p.m.

Mr. Fleischmann: No, I did not say that. I want to be careful. When I say "political," that is not meant in a pejorative sense. In this case, I understood "political" to mean--and it was said to me directly--these are matters that go to cabinet for decision. My dealings with government assistance programs have always been that politicians never get involved in that decision, with one rare exception and that relates to certain levels of industrial regional development program funding which requires the minister in Ottawa to sign off on applications, but he never reviews them. A committee of bureaucrats reviews them.

In this case, the final decision was being made under these various programs, not IDEA Corp., because at this time it did not exist in detail. Those decisions on applications, as I understood it from these gentlemen, were being made by cabinet. I do not mean anything pejorative about that. I am just saying that is what it was.

Mr. Polsinelli: You are familiar with how ODC operates and how BILD used to operate. In the past year, I take it you became very familiar with how the IDEA Corp. operated. Can you contrast the way decisions are made at the IDEA Corp. and ODC and how they used to be made at BILD? Can you give us some of your thoughts on that subject in terms of some of the requirements, the information you have to submit and the people with whom you are dealing?

Mr. Fleischmann: I found the people at the IDEA Corp. absolutely professional. I had not the slightest indication from them that they wanted to or would countenance any political involvement whatsoever. I did not get that impression from them at all. I did not get the same impression in discussions which I had two years prior to this with the ODC.

Mr. Polsinelli: In your opinion, assuming that the application had started to go bad and that perhaps at some point you would have felt they were going to reject it, at that point, do you think the help of a cabinet minister would have assisted the application? How do you think the people at IDEA would have reacted to that?



Mr. Fleischmann: If you are asking my opinion, that is all I can render.

Mr. Polsinelli: That is all I am asking for.

Mr. Fleischmann: I think it would have got a faster final rejection.

Mr. Polsinelli: My next question deals with your July 18 memo to yourself. I believe it is in tab S-5 of the material. I want to give you an opportunity to clarify something for me. This is a contradiction that I seem to have noted in your testimony. You have indicated that you would never ever approach a politician on government assistance programs and yet, with respect to the proposal that is described in paragraph 2, a proposal which you earlier indicated had absolutely nothing to do with the Wyda proposal, you indicated that the proposal did involve some element of government assistance.

Still on paragraph 2, I read the second line, "He asked me to sit down with Peter Wilkinson on political matters." Since this proposal did involve some element of government assistance, I have two questions: Was this the exception to your general rule? What do you mean by "political matters"?

Mr. Fleischmann: Let me deal with the first one, "Was this the exception...?" Yes and no. This was a matter much larger than one related to a government assistance program. I have to choose my words very carefully here because there is a matter of confidentiality here which we discussed in camera. It related to a subject that was not, per se, government assistance programs at all. I am sorry. I have to be very careful.

Mr. Polsinelli: I understand that. I do not want to cross-examine you on this. I am giving you an opportunity to express your feelings on it.

Mr. Fleischmann: The subject matter of the discussion with the minister related to negotiations of a major commercial nature of which one element might have been the method of delivery systems of certain government programs.

The second question was what did I mean by "political."

Mr. Polsinelli: Yes.

Mr. Fleischmann: He asked me to sit down with Peter Wilkinson on political matters. The political matters--

Mr. Polsinelli: I hate to interrupt but, first of all, when he referred to sitting down with Peter Wilkinson on political matters, was that in any way, shape or form related to the Wyda proposal?

Mr. Fleischmann: No, sir, in no way; absolutely not.

Mr. Polsinelli: Perhaps you can explain.

Mr. Fleischmann: As I said before, this is a very sensitive area. We were in the midst of negotiations with government--perhaps in the plural--governments. There were numerous political matters that flowed from those negotiations or were an integral part of those negotiations. That is the reference to political matters in a discussion about a client who is not named here, but it was not ostensibly a government assistance program at all.



Mr. Polsinelli: The reason I asked about what you meant by "political matters" is that, unfortunately, when individuals refer to "political matters" today there is always the connotation of political interference and, in the normal course of events, undue interference in the sense that a politician would exercise his political will over that of the bureaucracy that is operating by guidelines and regulations. So I ask again, when you say "political matters," do you intend to connote in any way that there was undue interference in the process to benefit any individual at all?

Mr. Fleischmann: No, sir, not at all. The gentlemen and lady sitting around this table are all duly elected members. As such, you deal day by day with constituents and other people on problems at your constituency offices. You are being watched constantly. I suggest to you, with respect, that what you are being asked to do is not exercise any undue interference but rather your obligation to those constituents. In this case, we had ongoing negotiations that related to political matters with respect to Ontario and other places.

I am very concerned, as you are, with the implications that may arise out of that. To that end, I want to bring to the committee's attention something that was handed to me about half an hour ago. It is a Toronto Star article on this morning's or this afternoon's evidence. The last paragraph of that article reads, "The committee also has been told that Fleischmann met with Industry, Trade and Technology minister Hugh O'Neil, who is responsible for IDEA, before the grant was awarded."

With respect, I hope that is just bad reporting and not a deliberate attempt to create an innuendo. I have testified here under oath repeatedly that they had nothing to do with one another, and I object most strenuously to that kind of reporting. I do not know whether the other matter of what I have said will ever be reported rather than the innuendo which is placed by the juxtaposition of the meetings. That is what I am trying to get at when I say that is what is happening in this paragraph.

Mr. Polsinelli: I appreciate you indicated in your testimony that Wyda was never brought to the attention of the minister. I am sure the reporter who wrote the article has heard your objections and will take the appropriate steps to ensure that a correction is made. Thank you very much.

8 p.m.

Mr. Wildman: Mr. Fleischmann, I would like to turn briefly to tab S-2, the chronology from your calendars or diaries. I note that in 1982 you moved to operations in Toronto. You indicated earlier today that you started your business on March 1, 1982. I note that day, and then subsequently that there were four contacts you had with Mr. Caplan and one with both Mr. and Mrs. Caplan that year. Then you have discussed three meetings you had in 1983 with officials of the Ministry of Industry and Trade and the Ontario Development Corp. Is it correct, according to your calendar, that you had no contacts with Mr. and/or Mrs. Caplan from May 1983 to May 1985?

Mr. Fleischmann: No, it is not. It simply means I did not write them into my calendar. I believe I played bridge with Wilf Caplan.

Mr. Wildman: But on a business--

Mr. Fleischmann: There were no business dealings other than those noted here.

Mr. Wildman: So basically, between May 1983 and May 1985, you had no business dealings with the Caplans. Did you have any contact with any ministries or agencies of the provincial government throughout 1984?

Mr. Fleischmann: Yes, sir, I did.

Mr. Wildman: But they did not relate in any way to the Caplans or to business deals that related in any way to Mr. Caplan?

Mr. Fleischmann: No, sir. For your information, what I am doing is refreshing my memory from a list of various matters I was approached on in 1984, to find out how many of those related to ODC or other provincial government agencies. I have already noted three. There were five direct and numerous reports to clients of government-assisted programs.

Mr. Wildman: Is it fair to say that prior to 1985 most of your dealings were with the federal government?

Mr. Fleischmann: Yes, that is correct, and they still are, by far. The vast majority are still with the federal government.

Mr. Wildman: When did you say you closed your office in Ottawa?

Mr. Fleischmann: I believe it was August 1985 roughly. I think what we did was we made a decision to close it in February 1985, and then we wound it down for the next six months roughly. I do not think it operated after May or June of that year.

Mr. Wildman: Are most of your dealings with the federal government with officials and agencies that are centred at Commerce Court here in Toronto?

Mr. Fleischmann: They always have been. The office in Ottawa almost never--well, sorry, with two or three exceptions that I can remember, dealt with the relevant officials at the Department of Regional Industrial Expansion in Ottawa when the file was moving up the ladder, but the applications would always start in Toronto because they were primarily Toronto-based applications with two or three exceptions.

Mr. Wildman: Did your operation change in any way that led you to conclude that you did not need to continue having sort of a branch office in Ottawa?

Mr. Fleischmann: There were other reasons for closing that office.

Mr. Wildman: Are they relevant to our hearings?

Mr. Fleischmann: I do not believe so.

Mr. Wildman: Let us look briefly at the meetings you had in 1983, in particular the meeting of March 24, 1983. I know you have answered questions about this and I just want to refer specifically to one matter on tab 3, the fourth item from the bottom starting, "Croll expressed a concern...." You talked about this before the committee. Is it your recollection that basically Mr. Croll was saying that he, the provincial government and, in particular, ODC preferred not to deal with consultants but rather directly with the applicants?



Mr. Fleischmann: That is a fair reading of it, but my recollection is that it related to a spate of media and press reports at that time of consultants who were holding out all sorts of things to prospective applicants, with no intention or ability of delivering. Again, I am certain that Mr. Croll felt, from reading the rest of the sentence, that he thought it was a very simple matter of filling out an application and therefore there was no real need for consultants.

Mr. Wildman: All right.

Mr. Fleischmann: May I just interject for one moment? I brought along with me, if the committee wishes to see, what an industrial regional development program application looks like, without going through the client's name. That is one quarter of it. That is for the federal government application. I can understand where Mr. Croll would feel that a two-page application would be duck soup and why bother getting a consultant, but I point out to you that if you now have the application from IRDP that Mr. Dobzinski signed, it is also only two pages long, but it is only the beginning of the application.

I do not know how the ODC works in the completion of the balance of the application. In the federal government, the starting date for eligibility is the date the application is signed. Therefore, they use what they call the quickie, two-page form for ensuring that eligibility commences. Thereafter, you are into this type of a process, which is very intricate and extensive. That is what we were getting paid to do.

Mr. Wildman: Did you get the impression Mr. Croll was telling you to take a walk?

Mr. Fleischmann: No. I did not. Quite the contrary. My impression is that he asked for feedback after we were dealing with the local offices.

Mr. Wildman: For a moment, I would like to deal with your meeting of May 23, the day before.

Mr. Fleischmann: I do not know whether it was a meeting.

Mr. Wildman: All right. The item in your calendar just lists Peter Barnes, George MacDonald and Jack Young.

Mr. Fleischmann: I believe it is MacDonell.

Mr. Wildman: MacDonell, okay. You do not recall whether you actually met with them or whether you had some other contact with them?

Mr. Fleischmann: Sorry, I do not recall.

Mr. Wildman: It could be that you did not meet Mr. Barnes then prior to the meeting he mentioned before the committee?

Mr. Fleischmann: It is possible that I did not meet with him. I am sorry. I just have no recollection going back that far.

8:10 p.m.



Mr. Wildman: I note in 1985 that you met with Ms. Caplan and/or members of her staff on May 9, June 6 and June 17. You had one planned to meet with Mr. and Ms. Caplan on June 18, which was apparently cancelled. You also met with Mr. Caplan, related, I guess, to the IDEA application, a number of times.

Mr. Fleischmann: No. I do not think I have ever said that.

Mr. Wildman: All right. Would you clarify that? I am looking here at July 1985, page 2 of the chronology: "July 5, Wilf Caplan; July 26, Wilf Caplan, breakfast; August 15, Wilf Caplan, breakfast," those months being relevant, at least in terms of chronology, with regard to your work for Wyda.

Mr. Fleischmann: That is correct.

Mr. Wildman: Is it your testimony then that you were not discussing with Mr. Caplan the Wyda or the application for IDEA?

Mr. Fleischmann: On July 5, we definitely did that. It was not with the IDEA Corp; it was with Mr. Braithwaite of the federal government on July 5. That is the date I met with Mr. Braithwaite in the offices of Mr. Dobzinski and Mr. Caplan. He attended that meeting.

Mr. Wildman: The others times, July 26--

Mr. Fleischmann: The meeting of July 26 was with reference to a totally unrelated matter, absolutely unrelated.

Mr. Wildman: Do you have any record of the meetings that were listed this morning by Ms. Caplan with regard to you? She says August 20. I note you have listed a meeting with a number of people, including, I guess, Wilf Caplan, on August 20. She also had December 10.

Mr. Fleischmann: Could we perhaps take these one at a time?

Mr. Wildman: Okay. On August 20, do you have any knowledge of a meeting with Mrs. Caplan?

Mr. Fleischmann: I do not have any note of meeting with Mrs. Caplan on August 20 at all. No, I do not.

Mr. Wildman: She indicated there was a December 10 meeting, which may have been cancelled.

Mr. Fleischmann: December 10? Have I got the right year?

Mr. Wildman: 1985.

Mr. Fleischmann: There is no entry of December 10 either on the list or in my book.

Mr. Wildman: Sorry, can counsel help me? Was that December 10 or September 10? I thought it was December that she said.

Mr. Bell: It was December and she said it was cancelled.

Mr. Fleischmann: I do not have a note of that.

Mr. Wildman: The next one she listed was January 13, 1986.

Mr. Fleischmann: Yes. I had breakfast with the minister and one of her staff who joined us halfway through the breakfast.

Mr. Wildman: You did not have that listed in the material you gave us.

Mr. Fleischmann: It is in my book. Yes, it is. It does appear. It was missed, but it is in my book.

Ms. Fish: January 13.

Mr. Wildman: All right. It says ELI.

Mr. Fleischmann: It says ELI at the top, which is why Mr. Wildman may have missed it.

Mr. Wildman: I just noticed I had one other, October 2, 1985. I am sorry to go back. You listed "Caplan." Is that Mr. Caplan?

Mr. Fleischmann: October 2. Yes. I would not refer to the minister that way.

Mr. Wildman: All right. Can you confirm for us that your discussions at that time during those meetings were in line with your earlier testimony that you do not discuss applications with politicians?

Mr. Fleischmann: Absolutely correct.

I indicated to Mr. Bell when we went over my calendars that in many of those instances where the minister or her staff are listed, there are other names of other clients listed beside them. There is never the name of Wyda beside one of those. I know I never discussed it with the minister. She was scrupulously careful not to get involved in anything that would in any way indicate even an appearance of favouritism or quick action. It was that way with her and her staff.

Mr. Wildman: That also applies to the August 13, 1985, dinner with Hershell Ezrin. You just say "Caplan," so that must be Mr. Caplan.

Mr. Fleischmann: No. It was a dinner with a number of people and it was strictly a social occasion, which had been planned at least six weeks before that, four to six weeks before. It was strictly a social evening and there was no business discussed of any sort.

Mr. Wildman: I would like to move to a couple of questions with regard to your discussions with Mr. Blakley. You mentioned earlier that on August 19, when you had drinks with Mr. Blakley, you had initiated that meeting. Is that correct?

Mr. Fleischmann: I think that is correct. That was 1985?

Mr. Wildman: Yes.

Mr. Fleischmann: I am pretty certain that would have been correct, yes. There would have been no reason for him to initiate it with me.



Mr. Wildman: At that time, you discussed the future of IDEA at his initiative?

Mr. Fleischmann: My recollection is that he raised the subject of the future of the IDEA Corp. I certainly had no inkling that it was ever an issue.

Mr. Wildman: Did Mr. Blakley give you any idea or explain why he was raising this matter with you when you--frankly, what did you expect to be discussing at this meeting?

Mr. Fleischmann: The IDEA Corp.

Mr. Wildman: You called him up and wanted a meeting.

Mr. Fleischmann: Yes. Mr. Wildman, I want to be very careful that I do not do an injustice here. My recollection of the meeting was that Mr. Blakley was concerned that there had been a change in administration, a change in government, and that the prior reputation of the IDEA Corp., which he mentioned in some reference to some large expenditures it had made on furniture or other opulent offices--I did not know what he was talking about, but I found out subsequently--had damaged the reputation of the IDEA Corp. He was stressing to me, for what reason you will have to ask him, that the IDEA Corp. and he were doing a good job. I believed they were.

Mr. Wildman: When you arranged the meeting, what did you intend to be discussing at the meeting?

Mr. Fleischmann: The mandate of the IDEA Corp., specifically whether it had funds to invest or whether it was out of funds for the current year, because there was a time problem, what its form of application or relationship to confidentiality would have been--because that was a big issue with Mr. Dobzinski and it became a big issue with Mr. Braithwaite of the federal government as well--and generally the kinds of discussion I had received from Mr. Croll, Mr. Joyce and Mr. Winter of the Ontario Development Corp. a few years previously.

Mr. Wildman: Would you characterize your discussion on August 19 as a political discussion?

Mr. Fleischmann: Part of it probably was.

Mr. Wildman: Because of the change of government and the change of administration?

Mr. Fleischmann: Yes.

Mr. Wildman: Did Mr. Blakley ask you for assistance of any specific kind at that meeting?

Mr. Fleischmann: No. I do not recall any request.

8:20 p.m.

Mr. Wildman: In that discussion did he indicate that the success or lack of success of the Wyda application to IDEA might in any way be related to his concerns about the future of IDEA Corp.?



Mr. Fleischmann: No, nor did I get that impression from him. I never put those two issues together.

Mr. Wildman: Did he in discussions with you?

Mr. Fleischmann: No. They were never mentioned in that way at all; absolutely not.

Mr. Wildman: Did he indicate why he was raising this matter about the future of IDEA with you and whether that was something unusual, or if he was raising it with a number of people?

Mr. Fleischmann: I subsequently found that he had raised the issue with other people. If you like, I can guess why he was raising it with me. I suspect it was because we had discussions about the change in government. I can only presume that Mr. Barnes would have briefed him on my background. This is all speculation on my part and I think it is really--

Mr. Wildman: I am sure we will have an opportunity to ask Mr. Blakley. I have some further questions and I will come back later.

Mr. Pope: To follow up on what Mr. Wildman asked, why would Mr. Blakley talk to you if he did not think you had some political influence?

Mr. Fleischmann: For the same reason Mr. Croll and Mr. Joyce talked to me in 1983 when I hardly suspect they thought I had any political interest.

Mr. Pope: They did not talk to you about the future of the Ontario Development Corp. We are talking about the chief executive officer who finds it appropriate to talk to you about the future of the government agency. Why would he do it unless he thought you had some political influence?

Mr. Fleischmann: I think that is a question you should ask Mr. Blakley.

Mr. Pope: You have no idea?

Mr. Fleischmann: No, sir.

Mr. Pope: No idea whatsoever?

Mr. Fleischmann: No, sir. I never held out to Mr. Blakley anything.

Mr. Pope: Who else did he talk to about it? You said you subsequently found out he talked to other people about the future of IDEA Corp. Who else?

Mr. Fleischmann: I believe he talked to a member of the transition team.

Mr. Pope: Which one?

Mr. Fleischmann: I believe it was Mr. Schwartz.

Mr. Pope: Do you know Mr. Schwartz?

Mr. Fleischmann: Yes, I do.

Mr. Pope: Have you ever worked together on any deals?

Mr. Fleischmann: No, sir.

Mr. Pope: How often do you meet?

Mr. Fleischmann: We do not.

Mr. Pope: How did you find out that he talked to Mr. Schwartz?

Mr. Fleischmann: I met Mr. Schwartz at-- I think I was going into a restaurant and he was coming out, something like that. We have met from time to time at other functions, but we do not meet regularly at all.

Mr. Pope: Did you ever discuss IDEA Corp. with Mr. Schwartz?

Mr. Fleischmann: Yes, in the context of the discussions with Mr. Blakley.

Mr. Pope: What does that mean?

Mr. Fleischmann: I told him what Mr. Blakley said to me about what a good job he was doing.

Mr. Pope: Was it in a restaurant that you had this conversation?

Mr. Fleischmann: I am sorry.

Mr. Pope: You said the only time you talked to Mr. Schwartz was as he was going out of a restaurant.

Mr. Fleischmann: No, I did not say it was the only time. I said it was one of the times I talked to him.

Mr. Pope: What other times then?

Mr. Fleischmann: I think I met Mr. Schwartz at one or two other functions.

Mr. Pope: What functions were they?

Mr. Fleischmann: They would have been political functions.

Mr. Pope: During the course of those political functions you both discussed IDEA Corp.?

Mr. Fleischmann: Yes. We had a discussion about Mr. Blakley's comments to me about the IDEA Corp. It was hardly a discussion. It was a passing reference and nothing more.

Mr. Pope: Did Mr. Schwartz tell you that he was consulting with respect to another IDEA Corp. decision?

Mr. Fleischmann: No, he did not.

Mr. Pope: Not at all?

Mr. Fleischmann: No, sir.

Mr. Pope: Do you know anything about it?

Mr. Fleischmann: No, I do not, other than what I have read in the newspaper accounts.

Mr. Pope: Was there anyone else you heard Mr. Blakley discussed this with?

Mr. Fleischmann: No.

Mr. Pope: You said you put names of clients beside some notations in your diary?

Mr. Fleischmann: Sometimes I do that, yes.

Mr. Pope: Are those names, I think you said beside ministers and staff?

Mr. Fleischmann: Sometimes, yes.

Mr. Pope: Does that not mean you were discussing your clients with staff and ministers?

Mr. Fleischmann: Yes.

Mr. Pope: But not this one.

Mr. Fleischmann: No.

Mr. Pope: Why the exception?

Mr. Fleischmann: It was hardly an exception. The other clients were not government assistance program clients. This one was.

Mr. Pope: Why were you discussing them with government ministers and officials?

Mr. Fleischmann: If you care to go in camera with me, I will be happy to tell you, but I am not about to disclose that information in public.

Mr. Pope: I refer you to section S-5, the memo. The second sentence says, "He asked me to sit down with Peter Wilkinson on political matters." Was that the first time Mr. O'Neil indicated that Mr. Wilkinson was to be talked to on political matters?

Mr. Fleischmann: He did not say Mr. Wilkinson was to be talked to on political matters; he said Mr. Wilkinson was to be talked to on political matters related to this client.

Mr. Pope: Then why would you go down the hall right after this meeting and talk to Mr. Wilkinson on the Wyda application?

Mr. Fleischmann: Mr. Pope, I have explained to you that I went to see Mr. Wilkinson not only on the Wyda application but also on two other applications with respect to finding out who the appropriate people were to whom those applications should be sent.



Mr. Pope: So you were dealing with the minister's personal executive assistant with respect to this application?

Mr. Fleischmann: No, sir. Mr. Wilkinson is not the executive assistant.

Mr. Pope: What is he?

Mr. Fleischmann: As I understand it, he is an assistant in the minister's office. He is not the executive assistant.

Mr. Pope: So you were talking with an assistant in the minister's office about this application, were you not?

Mr. Lederman: Mr. Pope, do you mind lowering your voice a bit? We are right on top of you. We can hear the question quite audibly if you ask the question in a civilized way.

Mr. Fleischmann: I talked to Mr. Wilkinson on this matter for the very reason I told this committee about four hours ago, and that was to find out the appropriate place the matter should be referred to. From my notes of that date, in the last paragraph, that is exactly what Mr. Wilkinson did. He advised me that Peter Barnes was the assistant deputy minister, innovation, and that Michael St. Amant was manager, special projects innovation. "I gave him my schedule for next week and expect to hear from him on a meeting with Mr. St. Amant." That is exactly the extent of the discussion I had with Mr. Wilkinson.

Mr. Pope: You were hired by Mr. Caplan on behalf of Wyda Systems (Canada) Inc. on the matter of government financing. You went to the minister's office, talked to his personal staff and were referred to three individuals in the IDEA Corp.

Mr. Fleischmann: I think there were two.

Mr. Pope: Okay.

Mr. Lederman: In any event, that was not his mandate as I understand it. It was not just government financing. I think we have been through that.

Mr. Pope: I am just wondering then--

Mr. Lederman: I think you have to be careful in terms of restating evidence. It should be restated accurately if you are going to restate it.

Mr. Pope: All right, we will go at it another way. Is there anyone else in Mr. O'Neil's office with whom you met with respect to the Wyda application?

Mr. Fleischmann: No, sir.

Mr. Pope: How often did you meet with Mr. St. Amant with respect to the Wyda application?

Mr. Fleischmann: I never met with Mr. St. Amant.

Mr. Pope: How often did you meet with Peter Barnes with respect to the Wyda application?

Mr. Fleischmann: On one luncheon on August 14 that I can recall.

Mr. Pope: In terms of physical contact with the people who were referred to you by Mr. Wilkinson, there was one physical contact and that was a luncheon on August 14 with Peter Barnes?

Mr. Lederman: Is a telephone call a physical contact?

Mr. Pope: If you want to interpret it that way, feel free.

Mr. Lederman: I do not know what physical contact means.

Mr. Pope: I will get into that too. If you want to adopt that attitude, we will go through it word by word.

Mr. Lederman: I just seem to be following the attitude that you are quickly developing here, Mr. Pope. Just state the questions fairly.

Mr. Fleischmann: I had one meeting face to face with Mr. Barnes, yes.

Mr. Pope: Did you have any phone conversations with Mr. St. Amant?

Mr. Fleischmann: Not to my recollection, no. I may have, but I cannot recall any.

Mr. Pope: Did you have any phone calls with Peter Barnes other than what you have indicated in your list?

Mr. Fleischmann: Not to my recollection, but then again, the list does not include the return phone call from Mr. Barnes to me on August 20.

Mr. Pope: Did Mr. Wilkinson get back to you with respect to a meeting with Mr. St. Amant?

Mr. Fleischmann: No, he did not.

Mr. Pope: Did you phone him back with respect to the meeting with Mr. St. Amant?

Mr. Fleischmann: No, I did not.

Mr. Pope: Why not?

Mr. Fleischmann: Because I was already meeting with Mr. Barnes.

8:30 p.m.

Mr. Pope: Other than a notation of March 1, 1982, could you explain why your book shows only a luncheon engagement with Elinor Caplan for the first time a week after the provincial election?

Mr. Fleischman: Can I explain it?

Mr. Pope: Yes.

Mr. Fleischmann: That is when I had lunch with her.

Mr. Pope: What did you discuss?

Mr. Fleischmann: Politics.

Mr. Pope: Did you tell her you were going into business in Toronto?

Mr. Fleischmann: No, I certainly did not. I was already in business in Toronto and had been in business in Toronto since March 1, 1982.

Mr. Pope: I believe it is fair to say that Mrs. Caplan indicated she got the impression from the luncheon that you were a lobbyist.

Mr. Fleischmann: That is a distinct possibility.

Mr. Pope: What would you have said to her that would have led her to get that impression?

Mr. Fleischmann: That I was representing the generic drug industry.

Mr. Pope: Nothing else?

Mr. Fleischmann: I do not think I would have disclosed any other clients to her because they were not germane or public.

Mr. Pope: Was it public knowledge that you were representing the generic drug industry in 1985?

Mr. Fleischmann: Yes. I was president of the Canadian Drug Manufacturers Association and I appeared before the Eastman commission in Ottawa and before a legislative committee here. Actually, that was not until this year, by which time I was no longer the president.

Mr. Pope: What else did you talk about at lunch related to your business, other than generic drugs?

Mr. Fleischmann: Related to my business? Nothing. I did not discuss anything related to my business with her other than some brief discussion about what I was now doing. I am certain that was the extent of it because that lunch was a congratulatory lunch for Mrs. Caplan for her victory in the election campaign.

Mr. Pope: Did you have any lunches, dinners or breakfasts with Mrs. Caplan between March 1, 1982, and May 9, 1985?

Mr. Fleischmann: No, not to my recollection.

Mr. Pope: Why would you do it now?

Mr. Fleischmann: Because I had nothing to congratulate her on before.

Mr. Philip: Being a North York councillor is nothing to be congratulated on. You should give somebody sympathy.

Mr. Fleischmann: I want to be as forthcoming with this committee as I can. I was involved in the political process and had been for many years. I



do not find that anything to apologize for. You are all involved in the process. I do not have the benefit or the luxury of having been elected, but I still take part in the political process. Mrs. Caplan and I had spoken on other political occasions. That was not the first time. That is what I am trying to point out to you.

Mr. Pope: I understand that, but we are dealing with a matter of a payment of \$30,000 of the public's money.

Mr. Fleischmann: Not in May 1985.

Mr. Pope: But that is the issue.

Mr. Fleischmann: I have testified to that.

Mr. Pope: What was your head office address when you incorporated your company?

Mr. Bell: I can tell you that.

Mr. Fleischmann: I think it was 8 Prince Arthur Avenue.

Mr. Bell: It was my law firm's address.

Mr. Fleischmann: Was it your law firm? I am sorry; I do not recall what the head office was. Mr. Bell advises me that it was his law firm.

Mr. Pope: Where was your place of business?

Mr. Fleischmann: At 8 Prince Arthur Avenue, I believe.

Mr. Pope: How long were you there?

Mr. Fleischmann: I think I was there until the summer of 1984.

I am also handed something now. I advised you this morning of some incorrect information as to what the articles of incorporation showed. I can give you now the accurate list of the date of incorporation, who the original directors were, the directors and officers and all the dates of changes of shares. The answer that remains the same is that none of them had anything to do with the Caplan family or anybody remotely related to it.

Mr. Bell: I think we can also correct and confirm that I know nothing about what goes on at my firm. The head office address of the corporation was not my firm, but another Bay Street address. I have it at 700 Bay Street, the 19th floor.

Mr. Fleischmann: That would be the office of Leonard Freed, a lawyer. He probably did it at that time and then I transferred to your firm at some point.

Interjection.

Mr. Fleischmann: Yes, that is Mr. Freed's office.

Mr. Pope: Have you had any meetings with anyone to discuss the information to be given to the committee, other than with your counsel?

Mr. Fleischmann: No. I met with Mr. Goudge at one point. That was the extent of it. And I met with Mr. Bell.

Mr. Pope: When was your meeting with Mr. Goudge?

Mr. Fleischmann: I think it was about a week to 10 days ago.

Mr. Pope: Has your counsel had any meetings on your behalf with anyone to discuss the information to be given to the committee?

Mr. Fleischmann: You will have to ask him.

Mr. Lederman: I have had no meetings with anyone.

Mr. Pope: I am sorry, what was that?

Mr. Lederman: I have had no meetings with any other people.

Mr. Pope: I think you indicated that in 1984 there were five clients you acted for where the work entailed direct contact with the provincial government or its agencies. Can you provide us with specific information on that?

Mr. Fleischmann: I can provide it. I would do so in a manner which--

Mr. Pope: I am just interested in numbers; I am not interested in--

Mr. Fleischmann: Oh, I am sorry.

Mr. Pope: You indicated in 1984, five clients.

Mr. Fleischmann: I believe there were five clients. As I say, there were numerous clients for whom I did overviews of federal and provincial programs. I just turned a note; there is one here on a provincial funds program that I did in April 1984 for a client. There are many of them.

Mr. Pope, whenever we were requested to investigate government assistance programs, it was almost automatic, unless there was something very exceptional about the case, that we would have included all provincial possibilities as well.

Mr. Pope: Were you paid for your services by those five clients in 1984?

Mr. Fleischmann: You will have to give me a moment to look at them.

Mr. Lederman: Do you want them as opposed to being paid in 1985, or paid? I am just concerned about the distinction. Are you making a distinction about years?

Mr. Pope: Let us do the distinction of years and then paid at all after that.

Mr. Fleischmann: Bear with me for a moment.

We were paid for all the reports we did. I think there was one exception, I am not sure what year it was; it was a very small matter anyway. It was a report for which we were never paid.

I see one in front of me. For instance, we did a tourism assistance Ontario Development Corp. program in May 1984 for a client. They did not proceed with the application, so we were not paid. That happened fairly consistently on ODC matters, because there were not many ways of accessing ODC, compared to the federal level, because the assistance under ODC was primarily loans and loan guarantees. That was not what most clients were looking for. They were looking for hard dollars.

Mr. Pope: Of the five clients for whom you indicated you made applications for provincial government assistance in 1984, did all five pay you for your services?

Mr. Fleischmann: I did not say we made applications; I said I represented or made inquiries from the provincial government.

Mr. Pope: I am sorry.

Mr. Fleischmann: Here is another one. Will you give me a moment to consult?

Mr. Pope: Sure.

8:40 p.m.

Mr. Fleischmann: My assistant will have better information about this than I would.

These are noted by my assistant as 1983-84. I suspect that means they overlap. It looks like two out of five; the other three did not proceed.

Mr. Pope: Are there any in 1983 other than two you have indicated in 1983-84?

Mr. Fleischmann: No, I do not think so.

Mr. Pope: How about 1984-85?

Mr. Fleischmann: That is what I am looking for now. I think that is the extent of it.

Mr. Ward: Mr. Fleischmann, I want to try to establish the role of a lobbyist in your experience. I do not know whether there is any professional organization, union or whatever; perhaps all we have to go on are your own experiences. Why do people need a lobbyist? It has been evident from the testimony of the IDEA Corp. people that, as far as they were concerned, the application was the best they had ever seen. Yet when Wyda pursued this, the company chose to use a lobbyist. How do you respond to that?

Mr. Fleischmann: My role with respect to Wyda was not to lobby. I must differentiate between the role of a lobbyist and the role of a person who has taken the trouble to establish his or her credentials in the area of government assistance programs.

I want to be very careful. We keep hearing in the media--

Mr. Ward: This was more of a mechanical exercise.



Mr. Fleischmann: Yes. The media keeps referring to my role as a lobbyist in relation to the Wyda file, and nothing could be further from the truth.

Mr. Ward: I want to refer you to tab 3 as it relates to your discussions with the Ontario Development Corp. At one point, you said your opinion was that it was more of a political type of process, and then you indicated that you did not say that in a pejorative way. How does one access an ODC program if, according to the last entry, you were told there are no guidelines for presentations to clients and there are no eligibility criteria?

Mr. Fleischmann: That was the dilemma I faced and that is why I said to this committee that the bulk of the government assistance work I do is at the federal level.

Mr. Ward: Is there an application?

Mr. Fleischmann: I beg your pardon?

Mr. Ward: Is there an application form for ODC funding?

Mr. Fleischmann: Not that I am aware of, no.

Mr. Ward: Have you ever seen an application form for the Board of Industrial Leadership and Development fund?

Mr. Fleischmann: No.

Mr. Ward: Have you ever seen eligibility criteria for BILD or guidelines for presentations?

Mr. Fleischmann: No. I have not.

Mr. Ward: You met with or at least had some contact with Mr. St. Amant as well as Mr. Barnes?

Mr. Fleischmann: I do not know that I said that, Mr. Ward. I do not think I had contact with Mr. St. Amant.

Mr. Ward: He is listed on your July 20 entry, "Special projects innovation, Michael St. Amant."

Mr. Fleischmann: That was the name given to me by Mr. Wilkinson, who he thought would be the appropriate person. He gave me two names.

Mr. Ward: Are you aware that both he and Mr. Barnes were responsible in some manner or other for any innovation funding related to IDEA Corp.--obviously, he had input because he had contact with the board, and Mr. St. Amant's name appears on the minutes of meetings of the IDEA board--but they also had the same function with BILD and I assume with ODC innovation funding, and it did not matter which?

Mr. Fleischmann: No. Until you told me that, I had no idea.

Mr. Ward: You indicated, and I will quote you, that in your modus operandi "it is counterproductive to approach elected officials." Is that as a result of your experience, or is it just an attitude?

Mr. Fleischmann: No. When you say "approach elected officials"--let us finish the sentence--"on government assistance programs." That was a combination of my experience in Ottawa while I served as an executive assistant and good common sense.

Mr. Ward: I want to quote to you from the 10 commandments for consultants.

Mr. Fleischmann: According to whom?

Mr. Ward: According to the Globe and Mail Report on Business.

Mr. Fleischmann: I can accept that.

Mr. Ward: I will give you some of the commandments, and I want you to indicate whether they coincide with your impression. "We should expect the government to look at its political return on investment just as closely as we look at our bottom line." Do you agree with that philosophy?

Mr. Fleischmann: That is true.

Mr. Ward: It says, "You should talk directly to ministers if you want to establish strategic directions, and you should talk to civil servants if you want to find information on process."

Mr. Fleischmann: That is certainly true.

Mr. Ward: Did you get the impression in your discussions with Mr. Croll and in your subsequent conversations with Mr. Barnes, that that was the attitude there as well?

Mr. Fleischmann: I am sorry, Mr. Ward, you lost me on that one.

Mr. Ward: Did Mr. Barnes--I guess Mr. Croll specifically because he was the one who gave you the advice, "If you do not get an ear, you go to the directors." Was he suggesting to you that there is always another avenue if things do not succeed and that perhaps was the mindset within that branch of the civil service?

8:50 p.m.

Mr. Fleischmann: I am reading the words three years later, and I recall the conversation, as I said before. I think it related to his saying--I am not sure what "get the ear" means. I do not want to be unfair about this thing, but I think what he was giving us was a couple of messages. One, if you are having a problem getting the matter dealt with at the local level--when I say "dealt with," just processed, because that would not be an unusual matter that sometimes things get bogged down at a lower level, because there are huge volumes of applications which come into certain sectors of departments--to try to unlock it and get further up the ladder.

On the other one--"get the ear of"--the connotation in that is if you do not get satisfaction at the lower level, go higher

Mr. Ward: In your conversations with Mr. Blakley, did he ever talk to you about political pressures being brought to bear in terms of applicants for funding on behalf of Wyda, specifically through the Cumberland Group?

Mr. Fleischmann: Never. No, not to me.

Mr. Ward: In your conversations with Mr. Barnes, had he ever indicated to you that political pressures by way of Graham Scott had been brought to bear in an attempt to get funding for Wyda via the Cumberland Group?

Mr. Fleischmann: First of all, I have never heard who Mr. Scott is. I do not know who you are referring to.

Mr. Ward: He is past chairman of the Progressive Conservative Ontario fund and one of the authors of the 10 commandments.

Mr. Fleischmann: He has never said that to me, and I recall no such conversation with him.

Mr. Ward: In your conversations with Mr. Dobzinski, had he ever indicated to you any of his previous efforts to get second-round financing through the Cumberland Group?

Mr. Fleischmann: No, he did not. That is why, as I said, I am not sure who I heard the name from first, whether it was Mr. Barnes or Mr. Blakley. Somebody made reference to some equity involvement the Cumberland Group was claiming to have in Wyda. It was hardly my business or affair, and it was the last time I ever heard of it.

Mr. Ward: Mr. Blakley or Mr. Barnes never gave you any information that the Cumberland Group got its \$6 million in funding through BILD the day before the government changed?

Mr. Fleischmann: No, sir. I never heard that before until I read something in the transcript.

Mr. Ward: You said you have been involved in the political process for a number of years. How many years is that?

Mr. Fleischmann: Thirty-seven. I started when I was 12.

Mr. Ward: You have a pretty good memory.

Mr. Fleischmann: I remember the election campaign with Senator Croll very well.

Mr. Ward: Has it always been just Liberal Party activity?

Mr. Fleischmann: No. I once was a campaign manager for a Conservative member of the provincial parliament, who won his election campaign.

Mr. Ward: Who was that?

Mr. Fleischmann: It was during the decade of the 1970s. If this committee forces me to disclose it--

Mr. Ward: No, I will not force you.

Mr. Pope: Go ahead.



Mr. Ward: I am sure it is a black moment in--

Mr. Pope: Was it Graham Scott?

Mr. Fleischmann: No.

Mr. Pope: You used the name, Mr. Ward.

Mr. Ward: You are sensitive about that, Alan.

Interjections.

Mr. Ward: Did you raise funds during the recent--

The Acting Chairman (Mr. Gregory): We are all curious, Mr. Fleischmann.

Mr. Fleischmann: It was David Rotenberg. I had been involved with Mr. Rotenberg in his political endeavours at the municipal council, as Ms. Fish can attest to, and when he ran for his first campaign, I went with him.

Mr. Ward: Did you raise funds for any candidates during the recent leadership contest in Ontario?

Mr. Fleischmann: Which party?

Mr. Ward: Either party. There have been only two recent ones.

Mr. Fleischmann: Yes, I did.

Mr. Ward: So your political activity has been predominantly with the Liberal Party, although you have been politically active with other parties to a lesser extent.

Mr. Fleischmann: Yes.

Ms. Fish: You do not have to call him anything except a good Liberal, which he has been all his political life.

Mr. Fleischmann: I never refer to myself as a Liberal hack.

Ms. Fish: Give me a break. All the years I have known this man around city hall--

Mr. Ward: He still has not made it to the status of a Tory hack.

Mr. Pope: Chris thinks this is going to work, Susan. Chris is really into this.

Mr. Lederman: I am new to this process. Is it the lateness of the hour that brings it out?

Mr. Ward: It is.

Mr. Lederman: There is a full moon too.

Mr. Ward: We have Alan's theatrics; so we have to go along with this.

Before we broke, there was an indication that your wife has been an employee of Ellis-Don, Don Smith?

Mr. Fleischmann: Yes.

Mr. Ward: For how long has that been?

Mr. Fleischmann: I think it would now be about two months.

Mr. Ward: What sort of work does she do there?

Mr. Fleischmann: She is the executive assistant to Mr. Smith.

Mr. Ward: That is about all the irrelevant questions I have.

Mr. Bell: Do you rest your case?

Mr. Ward: I rest my case. I can be as good at it as anybody in this room.

Mr. Fleischmann: I hope you are having fun because I can picture the headlines tomorrow.

The Acting Chairman: There will no headlines tomorrow.

Mr. Ward: Did you meet any of those people in Windsor? I have to know that.

Ms. Fish: Go ahead. Come on, Herb, ask him who?

Mr. Epp: No, I am not going to.

The Acting Chairman: We are getting on towards the witching hour.

Mr. Philip: What was the year you said you worked for Howard Moscoe--no, no. I just figure that if you do not discriminate between Caplan and Rotenberg, maybe you would have worked for us at one time or another.

Mr. Fleischmann: I think Mr. Moscoe was the opposition candidate in the official election when I ran Mr. Rotenberg's campaign.

Mr. Philip: I believe that is so. Were you involved politically with the Caplans prior to 1985?

Mr. Fleischmann: No, I was not.

Mr. Philip: You testified you were a long-time friend of Wilf Caplan, or maybe Wilf Caplan--

Mr. Fleischmann: I am sorry, Mr. Philip. I think I had better clarify that answer in one respect. I was invited to participate in a campaign for Ms. Caplan and I was unable to do so because of my duties in Ottawa.

Mr. Philip: So you did not campaign for Wilf Caplan when he ran as a candidate.

Mr. Fleischmann: No. I was totally surprised when I found out that he had run in the late 1970s. I found that out about three or four months ago.

Mr. Philip: There is no explanation other than the fact that you were heavily involved in Ottawa to explain the absence of any contact with the Caplans from 1982 until seven or eight days after the last election?

Mr. Fleischmann: Nobody has ever asked me, but I think I should put it on the record that my friendship with Mr. Caplan goes back about 30 years. It was not a continuing, ongoing friendship and relationship. It was of the sort where we would meet years and years apart and resume our friendship again. It was not of the kind where it was continuous and ongoing and therefore there were some lapse and I came back because Ms. Caplan was elected. That is just not so.

Mr. Philip: When you met with Mr. Blakley on August 19, 1985, you indicated you thought he was lobbying you.

Mr. Fleischmann: I do not think--did I use those words?

Interjection: Yes, you did.

Mr. Fleischmann: If I did, it was being--I felt he was talking to me about his interests, yes.

Mr. Philip: Did you get the impression that he was involved politically in some way?

Mr. Fleischmann: No, I did not.

Mr. Philip: So you in no way had run into him in a political sense anywhere previous to this meeting?

9 p.m.

Mr. Fleischmann: Never. Mr. Blakley went out of his way to tell me that he was apolitical, that he was a businessman who went into his business background to explain to me that he was trying to do the best possible job, regardless of party.

Mr. Philip: Without asking you to speculate too much, but just from your experience with Mr. Blakley, was it his naïveté or some insight that he had that he would somehow think you could deliver the goods for him?

Mr. Fleischmann: I have no idea. I can only make a presumption here, and that is that Mr. Barnes may have conveyed to him something about my background. You might recall that I said Mr. Barnes and I had had an extensive political discussion on August 14. I did not meet with Mr. Blakley until August 19, but I do not recall saying anything to Mr. Barnes about my political background. It may well have come up once we got into the conversation, but I certainly never held out to him that I had some political involvement that would lead him to think I had any ability to deal with the situation at all.

Mr. Polsinelli: You mean Mr. Blakley?

Mr. Fleischmann: Mr. Blakley, yes.

Mr. Philip: You in no way gave him any indication that you somehow had influence in what someone would call the back rooms of power, the



smoke-filled rooms or whatever they are called now that we have a less smoke-filled society?

Mr. Ward: It is not a back room.

Mr. Philip: You can never trust a Liberal to keep his promises. He promised me that the moment the air conditioner went off, he would stop smoking.

Mr. Ward: It takes time.

Mr. Fleischmann: Forty-two years. To answer your question, I held out nothing of the sort to him, nor do I have any influence in the back rooms of the Liberal Party that I am aware of or that I have ever held out to anybody.

Mr. Philip: After the later meeting with him in which you called Harrington--it was a telephone call I should say--on his behalf, why would you have called Harrington rather than Kruger? What is the connection?

Mr. Fleischmann: As I understand it, the IDEA Corp. reports to the Minister of Industry, Trade and Technology.

Mr. Philip: If Kruger was the fellow responsible for winding it down, then surely Kruger would have been the one who would have had the influence to do something in saying what would happen to it after it wound down, would he not?

Mr. Fleischmann: I am sure that is correct, but I was not intricately involved in who was winding down what or who was dealing with whom on this issue. I only knew that the IDEA Corp. reported through the Ministry of Industry, Trade and Technology. As I say, I was not involved in any of that process whatsoever. When Mr. Blakley approached me and talked to me about this idea that he had--and I am getting the feeling now that the discussion I had with Abe Schwartz was in relation to that and not the prior discussion. I am almost certain that I have misled the committee inadvertently.

On the discussions I had on the winding down, I am certain now I had discussions--I apologize to Mr. Pope, because it was totally inadvertent--that the subsequent discussions I had about this concept were with Mr. Schwartz on the second meeting with Mr. Blakley and not on the first meeting.

Interjection: What year?

Mr. Fleischmann: April 1986. I apologize, but now it comes back to me because I remember Mr. Schwartz's characterization of the concept and it was not flattering.

Mr. Bell: Excuse me. Is that the April 9 meeting you had with Mr. Blakley?

Mr. Fleischmann: Yes.

Mr. Philip: You are saying that the person you called was Schwartz? No, you are saying that the original meeting about the winding down was with Schwartz?

Mr. Fleischmann: No. I had a meeting with Mr. Blakley in August 1985 for drinks, talking about the IDEA Corp., politics and his worry or his concern that his role and the corporation's role would be misconstrued by the government because of the bad prior publicity he had had or that the IDEA Corp. had about overspending and so on.

I then met with Mr. Blakley, again as a result of a telephone conversation, on April 7, 1986, when he put out to me a package of what he wanted or what he thought might be a good idea in the leaving of his office. Rightly or wrongly, I called the person I thought the IDEA Corp. reported through. I was not aware Mr. Kruger was dealing with this stuff.

Mr. Philip: Did you really think you could do something for Blakley as to this, or did you just want to show Blakley that you had attempted to do something and keep in his good books?

Mr. Fleischmann: Neither of those. He asked me for information as to whether this was a concept which was viable. I said: "I have not the faintest idea. I do not know why you would come to me about it, but I will check." That is what I did. I have subsequently found out from Mr. Bell that others had approached Mr. Blakley, or Mr. Blakley had approached others, with similar concepts. I can tell you personally that he talked to Mr. Schwartz about this, because we ran into each other in a meeting when we discussed this. So I know Mr. Blakley had approached others. I do not know how many others.

Mr. Philip: What did Harrington say: "What? Another one coming to me with the same idea?" or "He got to you too?" or what?

Mr. Fleischmann: No. He just said, "I do not think that is your concern, and you should tell Mr. Blakley accordingly that it is being dealt with."

Mr. Philip: I have no further questions.

Mr. Gillies: I have a couple of brief questions that have come up recently. You seem to have recollected more about your conversation with Mr. Schwartz since it came up earlier. What was the nature of the meeting and what you discussed?

Mr. Fleischmann: It was not a meeting. My recollection is that we ran into each other on a few occasions. On one of those occasions, which would have been around the time of my discussion with Mr. Blakley in August 1986, I instigated a discussion with Mr. Schwartz, I believe, about Mr. Blakley's concept about the IDEA Corp. and how he could deal with it, how he could get the money back for the government and so on.

Mr. Gillies: This chance meeting occurred, you think, after April 9, 1986?

Mr. Fleischmann: Oh, yes. It occurred well after that.

Mr. Gillies: If we go back to the transition period when Mr. Schwartz was on the transition team and spent some of his time in Mrs. Caplan's office with regard to computer contracts, and I believe some of his time with Mr. Conway's office, did you deal with him during the transition period at all, to your recollection?

Mr. Fleischmann: No, never. No, I did not.

Mr. Gillies: How about subsequent to the transition period and through until the April meeting you discussed with us?

Mr. Fleischmann: I have never dealt with Mr. Schwartz in any way on any matter at any time.

Mr. Gillies: You know him just from party association sort of thing?

Mr. Fleischmann: Yes.

Mr. Gillies: In what context would a discussion of Mr. Blakley and the IDEA Corp. have come up in your chance meeting?

Mr. Fleischmann: I knew Mr. Schwartz was involved in the computer sector and I knew he was involved in dealing with a variety of issues on behalf of the government. I talked to Mr. Schwartz about anything that was current. That was shortly after the time Mr. Blakley approached me. I was running something by Mr. Schwartz, who I knew was involved in the political--not the political, but the governmental process, if I can put it that way. I knew that from what I had read, not from what he had told me, because I have never talked to Mr. Schwartz about what he had done.

Mr. Gillies: Your understanding as of April 1986 is that Mr. Schwartz is involved in the governmental decision-making process?

Mr. Fleischmann: No, I said he was involved.

Mr. Gillies: He was.

Mr. Fleischmann: Yes.

Mr. Gillies: So you are harking back to the transition period.

Mr. Fleischmann: Yes.

9:10 p.m.

Mr. Gillies: Do you recall who raised the matter of Mr. Blakley? Did you bring it up or did Mr. Schwartz?

Mr. Fleischmann: I did.

Mr. Gillies: Then his reaction was, "Oh yes, he has discussed it with me too."

Mr. Fleischmann: That is right. Exactly.

Mr. Gillies: Do you recall anything else pertinent to this inquiry that may have been discussed at the time of that meeting? For example, during the course of the conversation, did you mention Mr. Caplan's involvement with the IDEA Corp.?

Mr. Fleischmann: Never.

Mr. Gillies: Did Mr. Schwartz raise it with you?

Mr. Fleischmann: No, sir.



Mr. Gillies: Okay, just one other question then. We go back to your much-thumbed-over diary at this point. On the fourth page, the very last number of meetings that you describe there, the May 7 breakfast was one of the fund-raisers. Right?

Mr. Fleischmann: Just a moment and I will tell you. Yes.

Mr. Gillies: Okay. Was the June 25 breakfast another fund-raiser or was that a private breakfast?

Mr. Fleischmann: No, that was a fund-raising breakfast.

Mr. Gillies: Did you talk to Mrs. Caplan at that breakfast?

Mr. Fleischmann: The June 25 breakfast? She came to the table where I was seated. Yes.

Mr. Gillies: But you did not have any lengthy discussion of any kind?

Mr. Fleischmann: We had no private discussions whatsoever and we had no discussions about this case whatsoever.

Mr. Gillies: Thank you.

Mr. McGuigan: I want to bring to Mr. Fleischmann's attention and to the members' attention an article I saw this summer in the Financial Post that agrees very much with your description of activities of a person like yourself in preparing and presenting business clients to a government agency. I found it quite instructive and I hope to get copies of it to bring to members tomorrow. It is an issue of the Financial Post that describes fully what you have been talking about. That is all, Mr. Chairman.

Mr. Chairman: I think we are on our third round, so I would like to jump in with a few quick questions if no member objects at this stage.

A lot of members expressed interest, Mr. Fleischmann, in respect to Mr. Blakley's efforts in 1985 and 1986 to initially, as you described it, lobby for IDEA and later on lobbying in respect to his own future, I guess. In that 1985 meeting, did you attempt to discourage him in respect to his efforts to lobby with you on behalf of IDEA?

Mr. Fleischmann: Mr. Chairman, I think it would be an overstatement to suggest that he was lobbying with me.

Mr. Chairman: That is the description you put on it.

Mr. Fleischmann: Yes, but, again, I think I said it in a somewhat facetious manner in the sense that he was telling me a story. I suspect--and I hope he comes back to testify on this issue--he was telling me the story in the hope that I would, somehow or other, have the ear of somebody who would be able to pass on the merits of what he was saying.

Mr. Chairman: You did not attempt to discourage him in that respect.

Mr. Fleischmann: He was simply telling me a story and I was listening to the story. I had no comment one way or the other, because up until that point I had never had any contact with the IDEA Corp. other than the meeting with Mr. Shortly at lunch two years before.

Mr. Chairman: Your initial meeting with Mr. O'Neil that has been discussed--I guess it would be the meeting with reference to the July 18, 1985, memo. Who arranged that meeting?

Mr. Fleischmann: I am sure I did.

Mr. Chairman: You did; without any difficulty, I take it. You met with the Wyda group on June 28 and reached an agreement with Mr. Dobzinski and then a couple of weeks later you were able to get in to see the minister, or had that meeting been arranged prior to the Wyda meeting?

Mr. Fleischmann: I am sorry, you have lost me on this one.

Mr. Chairman: When was the July 18 meeting with Mr. O'Neil arranged? Was it following the June 18 retention by Wyda or prior to that date?

Mr. Fleischmann: It would have had to have been after that date, because I believe cabinet was not sworn in until July 26, if I am not mistaken. I did not know what Mr. O'Neil's function would have been until after that date. It could hardly have been before June 18.

Mr. Chairman: You have known Mr. O'Neil for some time, have you?

Mr. Fleischmann: No.

Mr. Chairman: You had no difficulty in arranging a meeting with a senior minister on short notice?

Mr. Fleischmann: I saw the minister on a matter that was of utmost interest and was critical to him and to this government. I think it was not the first occasion upon which the minister met with a lot of people involved with that issue.

Mr. Lederman: To be fair, it seems that in your question you have tied the meeting with the minister to the June 28 Wyda retainer or relationship, and that has not been the evidence.

Mr. Fleischmann: I have said repeatedly and I will say one more time, the meeting with the minister had absolutely no connection with nor were the words "Wyda," "IDEA Corp." or "Caplan" ever mentioned in that meeting. It was with respect to a totally separate and distinct matter.

Mr. Chairman: You did say in some way that you do not like to involve politicians or it is an unwise policy, and we talked about giving Mr. Wilkinson the file and he subsequently passed it on to Mr. Barnes. Is that correct?

Mr. Fleischmann: I do not know whether he--I am sorry; we are all guessing here as to whether it was indeed that file which is--

Mr. Chairman: We get back to the fact that we do not know how the application ended up in the IDEA offices where it flowed from.

Mr. Fleischmann: I am guessing that is how it got there.

Mr. Chairman: Maybe it is not safe to infer where it originated from, but in respect to the feeling along the line of Mr. Blakley and others, one could infer, correctly or incorrectly, that it came from the minister's office.



Regarding the April 7 meeting with Mrs. Caplan's staff, her executive assistant and a senior policy adviser, can you tell us what that meeting was related to?

Mr. Fleischmann: In 1986?

Mr. Chairman: Yes.

Mr. Fleischmann: Yes, it was on a matter totally unrelated to Wyda, the Caplans or the IDEA Corp.

Mr. Chairman: I appreciate that. You said that earlier. Can you tell us what it was related to, without getting into specifics?

Mr. Fleischmann: Yes. It was related to another client who was involved on a departmental matter.

Mr. Chairman: Departmental meaning--

Mr. Fleischmann: The Ministry of Government Services, I believe.

Mr. Chairman: It was not involving politics.

Mr. Fleischmann: No, it was not. I have the name of the client as the added factor in that reference.

Mr. Chairman: I have a couple of final, quick questions. There were a couple of occasions when you retained Mr. Caplan or Damaza in a consulting role. When was that question of retention of his services initially discussed?

Mr. Fleischmann: I believe it was at some time in September or October 1985.

Mr. Chairman: Following your retention? Was there nothing closer in respect to where Mr. Caplan contacted you initially in respect to Wyda and was there no discussion at that time of at some point retaining Mr. Caplan's services?

Mr. Fleischmann: No.

Mr. Chairman: But you had not used his services prior to that date?

Mr. Fleischmann: No, I had not.

Mr. Chairman: It had not occurred to you?

Mr. Fleischmann: I am sorry?

Mr. Chairman: Was there any reason for that?

Mr. Fleischmann: No, there was no reason for it. As I testified, I had not been in touch with him very often over the year 1984, if at all. I had my own staff people at that time.

9:20 p.m.

Mr. Chairman: Okay. One final question. The June 17, 1985, meeting with Mr. Roberts and Elinor Caplan, that took place, did it?



Mr. Fleischmann: The reference to the Mr. Roberts matter is a reference to Neil, who is Neil Roberts. I can tell you what that was about because there is no confidentiality in it. Another consulting firm of a different colour, if I can characterize it that way, asked me to obtain a copy of the ministerial organization chart, which is the Bible for many people in this industry. That is what I did. I called Mr. Roberts to find out when and if it was going to be available.

Mr. Chairman: So no formal meeting with Mrs. Caplan took place then?

Mr. Fleischmann: No. The reference to Mrs. Caplan is a reference to a meeting I had with a client at 4 p.m. that day when I discussed Mrs. Caplan, and not the other way around.

Mr. Chairman: At any point prior to the government changing hands, was there any discussion with Mr. or Mrs. Caplan in respect to "I will do what I can to see that you are given every consideration to become a cabinet minister"?

Mr. Fleischmann: No, absolutely not. It would be most presumptuous of me to ever suggest anything of that sort.

Mr. Wildman: Can you tell us if you ever had any discussions with Peter Barnes regarding the future of IDEA Corp.?

Mr. Fleischmann: I cannot recall any such discussion.

Mr. Wildman: You mentioned you called Mr. Harrington and he told you to mind your own business; at least that is how I am characterizing it.

Mr. Fleischmann: That was on April 9, 1986. Yes.

Mr. Wildman: You never had any other conversations with him?

Mr. Fleischmann: I had not spoken to Mr. Barnes since--

Mr. Wildman: I am talking about Harrington.

Mr. Fleischmann: No, but you asked me about Mr. Barnes.

Mr. Wildman: Okay.

Mr. Fleischmann: I had not spoken to Mr. Barnes since almost a year before that.

Mr. Wildman: You had no other discussions with Mr. Harrington other than that phone call with regard to the future of IDEA Corp.?

Mr. Fleischmann: Never.

Mr. Wildman: Did you have any discussions with Mr. Wilkinson on that issue?

Mr. Fleischmann: Never.

Mr. Wildman: Did you have any discussions with either Mr. Webster or Ms. Gulyas?

Mr. Fleischmann: No, never.

Mr. Wildman: When Mr. Blakley raised this with you during the April 9 meeting, did you believe you would have any influence at all with Mr. Harrington on the question of the future of IDEA Corp. or, for that matter, with Mr. Blakley's future?

Mr. Fleischmann: You are talking about April 9, 1986?

Mr. Wildman: Yes, 1986.

Mr. Fleischmann: No. I was not attempting to have any influence in any way, shape or form. I was attempting to obtain information that Mr. Blakley asked me to get, which was, would the government be interested in this kind of a proposal? When I started to put the issue before Mr. Harrington--I believe it was Mr. Harrington--I was told that was not my concern; it was being dealt with at the appropriate place.

Mr. Wildman: This meeting was on April 9. Did Mr. Blakley initiate that meeting?

Mr. Fleischmann: We had a telephone conversation on April 7, at which point we set up a meeting--drinks--for April 9. He laid out to me this proposition he had, that to me came right from out of the blue, about how he would like to structure his dissolution or leaving government, if you will, and what he was prepared to do.

Mr. Wildman: All right. During your telephone conversation with him on April 7, you had been made aware prior to that telephone conversation that the IDEA Corp. had approved the Wyda investment?

Mr. Fleischmann: Yes.

Mr. Wildman: By Mr. Caplan?

Mr. Fleischmann: I think it was a few days before that, yes.

Mr. Wildman: In his conversation with you either by telephone on April 7 or at the April 9 meeting, did Mr. Blakley mention anything about the IDEA Corp. approval of the Wyda application?

Mr. Fleischmann: All I can recall is that mention was made of the fact they had made a deal, or words to that effect. There was some mention made of the IDEA Corp.'s decision, which I already knew about.

Mr. Wildman: Was there any suggestion on the part of Mr. Blakley that the approval could influence in any way the future of Mr. Blakley or the administration of the IDEA portfolio?

Mr. Fleischmann: No, sir. I want to put this in context. There was a passing reference to the fact that, "Hey, we decided to invest." I said: "Yes, I know that. I heard about it a few days ago. Isn't that great?" Then we went on to talk about Mr. Blakley.

Mr. Wildman: Between August 1985 and April 7, 1986, did you have any discussions with Mr. Caplan about the progress of the IDEA application by Wyda?

Mr. Fleischmann: From the end or the middle of August 1985, whenever it was that the matter started to go through the process, I began reporting to Mr. Dobzinski, not to Mr. Caplan. I never spoke to Mr. Caplan again about the IDEA Corp.'s involvement. I did not know what his involvement was. It was Mr. Caplan who told me about it some time before April 7, 1986. I had no other discussions with Mr. Caplan about it in the intervening period. None.

Mr. Wildman: The only other matter I want to raise with you, with regard to tab S-2 again, your chronology, is the meetings commencing on April 25 and then later in June with Mr. Webster and Ms. Gulyas. I do not want to get into specifics, but were these meetings about client concerns related to the ministries for which Ms. Caplan was responsible?

Mr. Fleischmann: Yes, they were.

Mr. Wildman: All of them were?

Mr. Fleischmann: I am checking. June 4 definitely was, and June 10.

Mr. Wildman: Then on June 11 there was a golf game.

Mr. Fleischmann: Which was cancelled. June 10 definitely was. I am not sure what other days there were, apart from April 25. All three of those meetings were with reference to the same ongoing client.

Mr. Wildman: That includes June 4 as well?

Mr. Fleischmann: Yes.

Mr. Wildman: Were any political matters raised during those meetings?

Mr. Fleischmann: No, absolutely not.

Mr. Wildman: There was no discussion about Ms. Caplan's situation as related to the suggestions in the House about Wyda?

Mr. Fleischmann: I do not remember when I found out about it. I found out when the first newspaper report came out. I am not sure when that was.

Mr. Wildman: But you had no discussions with Mr. Webster or Ms. Gulyas about that.

Mr. Fleischmann: No, I did not. I have deliberately refrained from talking to anybody at the minister's office or anywhere else or to the Caplans since I first heard about this issue.

Mr. Wildman: Was the meeting with Mr. Harrington on June 9, 1986, on page 4 of tab 2, related to a client or an application?

9:30 p.m.

Mr. Fleischmann: It was related to a client with respect to the Ontario International Corp.

Mr. Wildman: It had no relationship whatever to IDEA or Wyda or any of those?



Mr. Fleischmann: No. It was an architect.

Mr. Chairman: Before we move on to Mr. Pope, I would like some direction from the committee. When we adjusted our starting time, I thought we were adjusting our finishing time, but the clerk advises me that 10:30 is still the time, assuming we have business before us. Mr. Barnes is probably calling right now.

Mr. Bell: That is him.

Mr. Chairman: We have one additional questioner. Mr. Pope has about 10 minutes. Mr. Barnes has indicated it will take him about 10 minutes to get down here. Do we want to deal with him this evening?

Mr. Gillies: I want to keep the committee hours reasonable and not get into that same rat race we were in a few weeks ago. I do not think we should sit much longer today.

Mr. Lederman: I must commend this committee for putting in awfully long hours. Anyone who says public servants do not put in a long day have a misconception of what goes on down here. I am surprised at the number of hours this has been going on. If we continue, I request that we have a short break.

Mr. Chairman: Any special reason?

Mr. Lederman: The reason is lack of discipline. I would not mind another cup of coffee.

Mr. Philip: Think of the poor reporters who have to listen to it.

Mr. Chairman: We have Mr. Barnes waiting on the phone and I would like to get this resolved if we can in the next couple of minutes.

Mr. Epp: I understand he will be busy tomorrow.

Mr. Chairman: He will not be back in town until late Wednesday.

Mr. Epp: I understand what the two members opposite are saying. We put in long hours, but I hope we can make this one exception today--he will not be here tomorrow--and deal with Mr. Barnes and that will be it today. He has to be away tomorrow, so that is it. We had intended to finish the witnesses no later than tomorrow if at all possible. I think we can do that.

Mr. Pope: Maybe I am from the far past, but my recollection is that tomorrow we are supposed to be meeting in camera in the morning and be through by noon.

Mr. Chairman: Do you have any additional comments on this? We may require a motion to get it resolved.

Mr. Ward: My understanding was that the standing orders indicated that we sit until 10:30. We adjusted the time and moved the lunch hour. Was that intended to shorten the amount of time that we sit?

Mr. Wildman: You will recall that at the time we raised the question of changing the dinner hour, I specifically said, "If we are changing this hour and coming back earlier, I hope that means we are leaving earlier." I said that at the time.

Mr. Chairman: That was my understanding, but the clerk advises me that is not so.

Interjections.

Mr. Chairman: Obviously, we have a division. Let us have a motion. That is the only way we are going to resolve this.

Mr. Epp: I move that we hear Mr. Barnes.

Mr. Chairman: Mr. Epp has moved that we hear Mr. Barnes.

Mr. Wildman: If this motion is defeated and we do not sit longer to hear Mr. Barnes, what does that mean in terms of Mr. Barnes's availability and the time we are going to be on this committee tomorrow and the day after? Are we looking at extended meetings this week?

Mr. Chairman: We are looking at lengthening our agenda in August. That would be the only alternative.

Mr. Gillies: We should bear in mind that we have witnesses to recall anyway. It is not as if by hearing Mr. Barnes tonight, we will have finished with witnesses.

Mr. Polsinelli: It was my understanding that we would be meeting in camera tomorrow to give our counsel some direction with respect to the report. Frankly, I do not see how we can do that until we have heard all the witnesses. If the committee feels we can give our counsel direction with respect to the report without hearing any witnesses that it intends to recall, the committee may suggest that it may not need to recall Mr. Barnes. It may be that my understanding is incomplete, but it was that we were to give counsel direction with respect to the preparation of the report, and I do not see how we can do that without having heard the witnesses. I understand Mr. Barnes's testimony should be fairly brief. There are a few matters the committee wishes to clear up. We could debate this until 10:30 p.m. Let him get in here and get it over with.

Ms. Fish: My understanding of tomorrow was that the original object was to have a review of the chronology as best as counsel had been able to put it together on the questioning and the evidence presented and a preliminary review of where we were. We are nowhere near finishing witnesses tonight. We have a new witness to bring forward, let alone the recalls.

Mr. Philip: We have witnesses scheduled for tomorrow.

Ms. Fish: That is right. If the schedule has already been moved to alter that, I really do not understand why there is yet another press on behalf of the four members of the committee opposite to continue on to another unreasonable sitting hour. I think we can operate with a little bit of sensitivity and a little bit of reasonableness in terms of finishing up.

Mr. Chairman: Mr. Bell would like to comment on this.

Mr. Bell: I should report. We have been standing on our heads after the in camera session this morning as to the witnesses who were discussed. I have to report to you that some of those people are not available between now and tomorrow, whatever time you sit. One of them has yet to be located, even



though I have students sitting out in front of somebody's residence waiting for someone to come home. It is not possible for those you have settled on to finish that tomorrow.

Mr. Philip: Mr. Bell has answered in part. If it means one extra day of sitting in August, and if we can save that by going an extra few hours tonight, provided we are not going to do it on Tuesday night and Wednesday in the same way we were going, I am willing to have them come. If it is simply going to mean that we are going to question them tonight and then bring them back on August 6, 7 or whenever, then I do not see any point in it.

Mr. Chairman: Are there any further comments before I put the question?

Mr. Epp: I want to make a few comments. I am in favour of having them tonight if possible, but another thing we must keep in mind is the fact that the committee has the authority to sit only a limited number of days. I think it is Wednesday; I am not suggesting we sit Wednesday. I think it is Wednesday and then two days, August 7 and 8; so we have only that limited authority, as I understand it. The clerk can correct me if I am wrong, but I think that is what we have.

Mr. Chairman: Let us ask the clerk to clarify it for us.

Clerk of the Committee: I do not have the authorized schedule of meetings. I understand there was some problem with it. I will have the revised authorized schedule of meetings tomorrow morning.

Mr. Epp: As I understand it, that is the case.

Mr. Wildman: With great respect, I fail to see why, when we are authorized to sit two days, we try to fit four days into two.

Ms. Fish: I quite agree with Mr. Polsinelli that we should not be engaged in writing our report until we have heard the witnesses.

Mr. Chairman: All right. We have the question before us. Mr. Epp has moved--if we do not run out of time debating this--that we hear Mr. Barnes this evening.

Ms. Fish: The motion is to hear him this evening.

Mr. Chairman: All in favour of the motion put by Mr. Epp? Opposed?

Motion negatived.

Mr. Chairman: Advise Mr. Barnes of same. Do you want to talk to him? Mr. Pope, continue the questioning.

Mr. Fleischmann: I wonder again whether--

Mr. Lederman: A five-minute break.

Mr. Chairman: I apologize.

The committee recessed at 9:40 p.m.



9:45-p.m.

Mr. Chairman: Let us get under way with these hearings.

Mr. Fleischmann: Mr. Chairman, before you get started, something was brought to my attention and I do not think anything turns on it, but I would like to correct the record. According to information I have just received, in response to questions from Mr. Wildman, the June 10, 1986, notation of a meeting with Mr. Webster and Miss Gulyas was not a meeting. I looked in my book and it does not disclose it as a meeting at all. It was a telephone call and it was the first indication that I had about Mrs. Caplan's involvement in this thing. I think I just called to offer my best wishes or whatever, but there was no discussion about it that I can recollect and there was no meeting, so I apologize.

Mr. Wildman: The subject of the meeting was Ms. Caplan's involvement, but there was no substantive discussion.

Mr. Fleischmann: None whatsoever; there was no meeting. It was a telephone call.

Mr. Pope: What federal department administers the industrial regional development program?

Mr. Fleischmann: The Department of Regional Industrial Expansion.

Mr. Pope: Is that how you met Mr. Braithwaite?

Mr. Fleischmann: Yes.

Mr. Pope: Had you met him previously on the IRDP?

Mr. Fleischmann: That was when I met him; some time after I commenced my business, after March 1982.

Mr. Pope: Okay. Do you have any explanation--you may have none, and that is why I am asking you. You indicate you have been upfront on your relationship with your contractual arrangements with Wyda. Do you have any explanation for why it was not disclosed at the closing of the financing between IDEA Corp. and Wyda?

Mr. Fleischmann: I did not know about the closing of the financing so I could hardly have disclosed anything.

Mr. Pope: Do you know why it was not disclosed?

Mr. Fleischmann: Oh, no idea whatsoever. Absolutely none.

Mr. Pope: Can you explain to me your understanding of the reporting relationship between the IDEA Corp. and the Ministry of Industry, Trade and Technology?

Mr. Fleischmann: My understanding is that the funding derives, or did derive, through the Board of Industrial Leadership and Development program and that the BILD program is administered or reports through the Ministry of Industry, Trade and Technology. It would be very similar, if I could draw an analogy, to the National Research Council in Ottawa or the post office for that matter, or the CBC. They are totally autonomous and independent agencies, but they have to report through a ministry.

Mr. Wildman: A committee of cabinet.

Mr. Fleischmann: Yes. That is where the funding, as I understand it, was allocated from, through that envelope.

Mr. Pope: Could you tell me a bit about this meeting in your notes--I am sorry it may not have been a meeting--of April 7, 1986?

Mr. Fleischmann: It was a telephone conversation.

Mr. Pope: Mr. Webster--

Mr. Fleischmann: Oh, Mr. Webster, sorry. April 7?

Mr. Pope: April 7.

9:50 p.m.

Mr. Fleischmann: Yes. It is a note with respect to Mr. Webster and Miss Gulyas and a client.

Mr. Pope: Do you remember when that occurred; the day?

Mr. Fleischmann: No. I am sorry; I do not.

Mr. Pope: Was this a phone conversation, did you say?

Mr. Fleischmann: I am happy to show you the note and just hold my hand over the name of the client, but you will see that it does not say it is a meeting or a telephone conversation. It may have been nothing more than a reminder to myself that something had to be done with respect to that issue and that client, and that those were the relevant parties I should be talking to. I frequently use my book for that purpose, so I cannot assure you it was a meeting or a telephone call.

Mr. Pope: Did you ever have a discussion with Mr. Webster about Mr. Kruger's concerns on Wyda?

Mr. Fleischmann: Never.

Mr. Pope: Have you ever heard of it before?

Mr. Fleischmann: No. You are telling me something for the first time.

Mr. Pope: The evidence in that P-2--

Mr. Fleischmann: Just a second. We are getting there. I think I skipped--Oh, Q. Just a second. P comes before Q. Where the hell is P? Here it is. Okay, I have it.

Mr. Pope: P-2, at the bottom of the page.

Mr. Fleischmann: Yes.

Mr. Pope: The very bottom of the page.

Mr. Fleischmann: Yes. We will just see what this is, first of all.

Mr. Pope: Your testimony is that they are Mr. Kruger's notes.

Mr. Fleischmann: Yes.

Mr. Pope: You will see at the bottom of the page the date April 7, "Conversation with Mr. Webster on this matter," and the note "No conflict AG clear."

Mr. Fleischmann: I do not know that it was a conversation. I see the name "Webster--no conflict." I do not know what it was in relation to. I have no idea whatsoever.

Mr. Pope: On the same day as your conversation with Mr. Webster--

Mr. Fleischmann: No. I think I said to you, to be absolutely clear with the committee, I have a note of the names of Mr. Webster and Miss Gulyas and a client. It may well have been a telephone conversation. If it had been a meeting, I would have marked down a time or a place, so I doubt very much that it was a meeting. It was either a telephone call or a reminder to myself with respect to that client, and it had no relationship whatsoever to this issue.

Mr. Pope: Do you have any knowledge of Mr. Kruger's involvement with the IDEIA Corp.?

Mr. Fleischmann: None, other than what I have read about his role in government.

Mr. Pope: I have one last--oh, two questions, I guess. I think you indicated that you sold 10 to 12 tickets for one fund-raising breakfast.

Mr. Fleischmann: I think that is about right. That strikes me as about the right number. I believe that is right.

Mr. Philip: Would you get rid of these tickets for me?

Mr. Fleischmann: You will have to wait in line.

Mr. Pope: Was part of your activities to phone and elicit some support by ticket sales for that breakfast?

Mr. Fleischmann: Was it part of my activity?

Mr. Pope: Yes. Did you phone around to sell tickets to people?

Mr. Fleischmann: Sure.

Mr. Pope: Okay. Were you on the organizing committee?

Mr. Fleischmann: I was on the first organizing committee. I do not know which one this one you are referring to is. There were, as I understand it, a number of breakfasts or some breakfasts.

Mr. Pope: Which one specifically are you referring to, just so it goes on the record?

Mr. Fleischmann: I think it was one of the first ones, if not the first one, whatever that date is, back in 1985.



Interjection: In August.

Mr. Fleischmann: Was it August? It could be August. That sounds about right.

Mr. Pope: Were any other tickets sold through your office by others on your staff?

Mr. Fleischmann: No. My staff would not become involved in that. August 28 is the date I have, and, if that is the one I am thinking of, I was involved in the organization of that.

Mr. Pope: Were you involved in similar activities in other ridings?

Mr. Fleischmann: Not of that nature, no.

Mr. Pope: Were you chairman at any such fund-raising function in another riding?

Mr. Fleischmann: No, I was not.

Mr. Pope: One last question: Specifically with your reference to Mr. Rotenberg and the leadership campaigns, was that specifically discussed with Mr. Goudge in preparation for these hearings?

Mr. Fleischmann: I have never mentioned either of those things to Mr. Goudge until this meeting, certainly not to Mr. Goudge, no; nor to the best of my recollection have I mentioned them for years, since the leadership campaign.

Mr. Wildman: Your leadership campaign?

Mr. Fleischmann: No. The answer is no.

Mr. Chairman: It appears we do not have any additional questions. Before we break, Mr. Epp raised a concern about scheduling, and the clerk has advised me we do have authorization from the House leaders to sit the week of August 4, so we could expand in terms of the number of days in that week if we wish to do so.

Mr. Gillies: Originally, I was not able to come that week. I have now made arrangements to come for the two-day schedule, but that is it. I cannot sit any other days that week.

Mr. Chairman: The steering committee will be dealing with that tomorrow in any event. I just want to advise you of that.

Mr. Ward: I want to raise one point. Mr. Gillies is absolutely correct. We discussed the schedule for the balance of the hearings and there were only two days available. By the same token, I want the clerk to refer to his notes for this week, because I cancelled out of some arrangements I had made on the understanding that we were sitting Monday, Tuesday and possibly Wednesday. The alternative was there.

Mr. Chairman: Excuse me, if this is going to be prolonged, I do not want to hold up Mr. Fleischmann and Mr. Lederman. I thank you very much for your appearance before the committee today. We appreciate it.

Mr. Fleischmann: I appreciate the opportunity to clarify a number of things which I think were certainly not appropriately explained. I want to thank the committee for its indulgence. I guess for the last time, I want to reiterate that at no time did I ever have any discussion or hold out in any way whatsoever any political involvement or bias or anything remotely connected to it with respect to this application and that Mrs. Caplan and her staff, in particular, have been most careful in their dealings with me on all matters.

The reason I take the committee's time to say this is that, once again, I see a newspaper account of this evening's headline, and I am just shocked at that kind of innuendo. I cannot stress strongly enough to this committee how inappropriate it is that this committee is hearing the evidence and that it is being reported in that manner.

Mr. Bell: I was not clapping; I was hitting a fly.

Clerk of the Committee: At the request of Mr. Gregory, after the committee's agreement on the days it would be sitting this week, last week and in August, I wrote out a list and passed it to the chairman for his approval before I passed it to Mr. Gregory. I had included Wednesday at 10 a.m. and the chairman stroked that out, saying the committee had not agreed to that. So it was Monday, July 21 and Tuesday, July 22.

Mr. Ward: What hours on Tuesday?

Clerk of the Committee: At 10 a.m. and 2 p.m., and possibly also at 8 p.m.

10 p.m.

Mr. Wildman: Just for the record, since we are all being martyrs here, I point out that I had a cottage rented this week.

Mr. Pope: Since it has come up, I guess we are going to get into it. It was my distinct understanding that we would be through by noon tomorrow and we would not be sitting in the afternoon and evening. I am sorry. We had a specific discussion about why.

Ms. Fish: I remember it too. I remember it distinctly, because I scheduled some health tests to be arranged tomorrow afternoon.

Mr. Gillies: While we are clarifying the record, would the clerk indicate the days on which we agreed to sit in August? Is it the two days that I understood?

Clerk of the Committee: Thursday, August 7, and Friday, August 8.

Mr. Epp: May I interrupt? I think Mr. Fleischmann has a question. Could we deal with that and then deal with our scheduling?

Mr. Fleischmann: Very quickly, I have refrained from discussing this matter with anybody. I am not sure whether it is the intention of the committee to recall me. If so, I will continue to refrain from discussing it with anyone. What is the wish of the committee, so that I know?

Mr. Chairman: Do you mean in terms of the press?



Mr. Fleischmann: If I am not going to be recalled--I have refrained from talking in any way to a lot of people to whom I normally talk.

Mr. Chairman: I do not think it is our position to provide advice on that. I suggest you seek advice from counsel.

Mr. Fleischmann: I am not seeking advice on that. I am asking whether it is the intention of the committee to recall me, and I will seek my own counsel on that.

Mr. Chairman: There is no present intention to do that. Thank you.

Where were we? The clerk had indicated August 7 and 8 and I had agreed to that. Subsequently, I felt it had been the Wednesday and Thursday rather than Thursday and Friday, because I know a lot of members like to escape on Friday and do not want to be sitting here late Friday.

Mr. Gillies: I am clear for August 7 and 8 and I made my arrangements around that.

Mr. Bell: May I interject? It is very likely that I will run out of witnesses by noon tomorrow. I have only two witnesses available. They are both scheduled and it has been confirmed through their counsel that they will be here at 10 a.m. They are Mr. Logan and Mr. Blakley.

Ms. Fish: Then tomorrow's discussion becomes a bit moot and we are then into a conversation about where we go from tomorrow.

Mr. Chairman: We have a steering committee established for that. It is meeting tomorrow at 12:30 to look at the long-range agenda.

Mr. Philip: Without announcing who the witnesses are, since one of them has not been contacted yet, I think it is fairly predictable that there are certain people, such as Mr. Kruger, whom we need only for clarification on what I would consider a minor point. I do not want to give his answers for him, but I do not think that will be prolonged. No matter what his answer is, I do not think it will substantially affect the outcome of our report.

One of the witnesses, who has not yet been called, may have some influence but I fail to see even there, without prejudging, unless something dramatic comes up, how it may affect the essential thrust of what we have been looking at in terms of the four points.

I am wondering whether it is not reasonable for us to start meeting in camera and going over at least what points we may agree on, subject to the questions that we still have to ask those few witnesses. Certain patterns have emerged that we can probably talk about with the assistance of counsel without in any way prejudicing whatever testimony we may hear from the witnesses who will be recalled. Frankly, some witnesses may have some interesting things to say but I do not think they are germane to the main thrust of some of the things we are looking at, or to the main theme.

Mr. Chairman: You are suggesting that after we finish with the witnesses tomorrow we go in camera?

Mr. Philip: Yes.

Mr. Chairman: Are there any comments on that?



Mr. Pope: I have been up front. Everyone knows I will not be here, and why.

Ms. Fish: I, for one, consider it incredibly unfair to move in that regard as a reasonable and humane response either to what a member of this committee clearly stated on the record and clearly understood was going to be our schedule or to the concern expressed by another member of the committee earlier, the member opposite me, who suggested that the work on the report in camera ought not to proceed until we had finished with the witnesses.

I do not think we have very long to go, but I do not want to prejudge the outcome. If we are prejudging the outcome, why are we are calling the witnesses? I strongly urge--

Mr. Philip: With respect, I said we should not prejudge this.

Ms. Fish: I did not interrupt you, so you might bear me the courtesy of permitting me to finish.

Mr. Philip: You might bear me the courtesy of not misquoting me on the record.

Ms. Fish: I am not misquoting you.

Mr. Philip: If you do not listen, then do not make silly statements.

Ms. Fish: I am not quoting you and I am not misquoting you.

Mr. Chairman: I will adjourn the meeting if it is going to deteriorate.

Ms. Fish: I am suggesting to you--and I was quoting Mr. Polsinelli, as it happens--that it would be inappropriate to begin the discussion in camera prior to hearing all the witnesses. I agree with Mr. Polsinelli's comment and I consider that, coupled with the personal concerns and the schedule Mr. Pope has, it should be sufficient for this committee to be able to operate so that we sit tomorrow morning, not in the afternoon and evening, and that we schedule around hearing the other witnesses and then move to the substance of the report.

Mr. McGuigan: In the light of Alan's situation, perhaps we better hear the witnesses and then adjourn. My understanding of the meeting was there was not an absolute promise to Alan that we were going to adjourn at that time, but he certainly made his position known. Since he has taken a leading role in these discussions, we should probably afford him the opportunity to be here when further discussions are being taken care of. I do not think any of us on this committee want to appear to be trying to avoid a full discussion. In the light of good sense, perhaps we should hear the witnesses tomorrow and then adjourn.

Mr. Wildman: My views are very similar to those of Mr. McGuigan. I had understood we would be sitting, and Mr. Pope had made his concerns and his situation known to the committee. Perhaps somewhat cynically, I did not really believe we would finish at noon. I anticipated we would be sitting longer and made my flight booking for Wednesday morning, but I can try to get on a flight tomorrow night. I think we should hear the witnesses and then schedule ourselves accordingly in August.

Mr. Chairman: We seem to have, if not a consensus, a majority feeling in that regard.

Mr. Epp: I know the direction in which this is going, but I wonder whether committee counsel has any idea how long it might take us to deal with those two witnesses tomorrow. Does he feel it is going to take all morning, or would we have an hour in there to have a session in camera, albeit a short one?

Mr. Bell: I am not going to be very long with either witness. I would be very surprised if I take half an hour with either of them individually. I will make every effort not to. The rest is, as they say, in your hands.

Mr. Epp: Would we hear them together?

Mr. Bell: No. I do not want to hear them together. They are not being recalled for the same issues. It would be distracting and confusing to the committee if we did that.

Mr. Epp: The only thing I am suggesting is that rather than prejudice today that we are not going to have a session in camera, if there is not sufficient time to do it tomorrow, okay, we will not, but if we do have an hour, we could go until 12:30 or one o'clock and cut things off at that point.

Mr. Bell: Some members of our office will be working overnight, and I intend to have something for you all to be received in camera and to be held and kept by you as part of the matters in camera. It will be of assistance to you in giving a chronological summary of some of the relevant major evidence. It is probably timely that you have the benefit of that, and it will make matters move much more efficiently on August 7 and 8. I will have something for you. The very strong caveat is that it is a document confidential to the committee members.

Mr. Gillies: Could we not meet in camera at 9 a.m. tomorrow to receive the document and look at it for an hour before the witnesses come in?

Mr. Bell: It would help me if you met in camera at 11 a.m. I am reviewing the evidence this morning to plug it in overnight.

Mr. Chairman: We are agreed. We will see what happens tomorrow morning.

The committee adjourned at 10:11 p.m.





STANDING COMMITTEE ON PUBLIC ACCOUNTS

ALLEGED CONFLICT OF INTEREST

TUESDAY, JULY 22, 1986

Morning Sitting



STANDING COMMITTEE ON PUBLIC ACCOUNTS

CHAIRMAN: Runciman, R. W. (Leeds PC)

VICE-CHAIRMAN: Gillies, P. A. (Brantford PC)

Epp, H. A. (Waterloo North L)

Ferraro, R. E. (Wellington South L)

Gregory, M. E. C. (Mississauga East PC)

Harris, M. D. (Nipissing PC)

Miller, G. I. (Haldimand-Norfolk L)

Philip, E. T. (Etobicoke NDP)

Pope, A. W. (Cochrane South PC)

Smith, D. W. (Lambton L)

Wildman, B. (Algoma NDP)

Substitutions:

Fish, S. A. (St. George PC) for Mr. Harris

McGuigan, J. F. (Kent-Elgin L) for Mr. Ferraro

Polsinelli, C. (Yorkview L) for Mr. D. W. Smith

Ward, C. C. (Wentworth North L) for Mr. G. I. Miller

Clerk: Arnott, D.

Staff:

Fritz, H., Research Officer, Legislative Research Service

Bell, J., Counsel; with Shibley, Righton and McCutcheon

Peters, M., Associate Counsel; with Shibley, Righton and McCutcheon

Witnesses:

From Innovation Development for Employment Advancement Corp.:

Armstrong, S., Counsel; with Blake, Cassels and Graydon

Logan, D., Former Acting Vice-President, Innovation Assistance

Manuel, W. J., Counsel to A. Dobzinski; with Stitt, Baker and McKenzie

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday, July 22, 1986

The committee met at 10:14 a.m. in room 228.

ALLEGED CONFLICT OF INTEREST  
(continued)

Mr. Chairman: The committee will come to order. Before we call our first witness, I want to look for committee agreement on adding one day to our August schedule. We are now scheduled for Thursday, August 7, and Friday, August 8. I would like to include Wednesday, August 6, in that schedule as well. It is the suggestion of counsel that we should not have a full day on August 6. Are there any comments on that?

Mr. Gillies: I made my position on that clear. I will not be here on August 6. I object to yet another change to the schedule. It is being unreasonable to members of the committee.

Mr. Epp: My concern has always been that we follow the directive of the Legislature. The directive was the expeditious review of this matter. If the agreement is that we were going to finish by Friday, August 8, then we do not have to meet on August 6. On the other hand, if there is some feeling that we cannot meet that directive and finish on August 8, as we originally intended, then we may have to move back a day.

I appreciate what Mr. Gillies has done and I appreciate the predicament he is in. On the other hand, he has some very able colleagues who could carry the torch for the official opposition. As long as we finish by August 8 and get our report done, I have no problem about whether we sit on August 6.

Mr. Pope: Maybe I can make it easier.

Mr. Chairman: You are not prepared to agree to sit on August 6.

Mr. Pope: What did you want me to say?

Mr. Bell: What is the expression? He is having his knees cut out from under him. Maybe we can start on August 7 at 9 a.m. That will give me enough time to try to distil the remaining witnesses into a couple of hours, so we have not lost anything.

I cannot tell you who will turn up on August 7 to testify because we are still trying to contact one witness. I had somebody who literally camped overnight at somebody's residence, without success I might add. I know there are two who will be available to testify. One will be extremely brief and the other will not take a long time. If we can start at 9 a.m., we can get the evidence done very shortly.

Mr. Gillies: I have no problem with that.

Mr. Chairman: I want to spell out the specific hours so we do not get into another argument, which we seem to do. We are sitting on Thursday, August 8, from 9 a.m. until 12:30 p.m., from 2 p.m. until 6:30 p.m. and from 8 p.m. until 10:30 p.m. Is the committee in agreement with that?



Mr. Epp: On both days?

Mr. Chairman: I will have to check that out.

Mr. Epp: We may not need all that time on Friday.

Mr. Chairman: What is the committee feeling on the hours of the Friday sitting?

Mr. Ward: The same as Thursday.

Mr. Chairman: Is the committee in agreement with that?

Mr. Gillies: Even in the evening on Friday?

Mr. Chairman: That is the proposal.

Mr. Philip: From 9 a.m. until 10:30 p.m.?

Mr. Chairman: The alternative is to go into Saturday.

Mr. Epp: Let us do it in two days.

Mr. Chairman: All right, if that is clearly understood.

Mr. Pope: What is clearly understood?

Mr. Chairman: The hours set for Thursday and Friday, August 7 and 8.

We will call our first witness. Mr. Logan and counsel, would you like to come forward, please? Welcome back.

Mr. Logan: Good morning.

Mr. Armstrong: I am not sure about the answer to that.

Mr. Bell: The last witness said it was a pleasure to appear before this committee.

Mr. Armstrong: We will say the same.

Mr. Chairman: For the purpose of the record, Mr. Logan, I will remind you that you are still under oath.

Mr. Logan: Fine.

Mr. Chairman: Mr. Bell, would you like to lead off?

Mr. Bell: Members, you have had distributed to you this morning some further material that was produced by the Innovation Development for Employment Advancement Corp. through its counsel, Mr. Armstrong, in the interval, including the letter.

10:20 a.m.

The material is filed under part L and it will run from tab 8 through tab 14. I want to spend five minutes with Mr. Armstrong and we can cover off a lot of this stuff. Mr. Armstrong, at tab L-8, can you confirm that this is your--do you not have it?

Mr. Armstrong: No.

Mr. Bell: Sorry. In any event, can you confirm that the letter you forwarded to me on July 17, with attachments, contains your client's answers to the various undertakings given during the last round of testimony and as recorded by you and me? Is that correct?

Mr. Armstrong: Yes, it is.

Mr. Bell: Can the committee take the replies that are listed in this letter to be the answers of the IDEA witnesses as though they had been given to the committee under oath?

Mr. Armstrong: That is correct.

Mr. Bell: Mr. Logan, can you confirm that?

Mr. Logan: Yes.

Mr. Bell: Mr. Armstrong, there are two documents which have edited versions, and I want to deal with those briefly. I have a suggestion that will save us some time, if you agree. We have not discussed it before. Tab 9 is the draft minutes, as edited, of the June 27 meeting of the executive committee and tab 10 is the February 19 agenda, as edited.

Mr. Armstrong: That is correct.

Mr. Bell: Can I make a suggestion to you? Rather than take the time that is necessary to go in camera, do you have any objection if I distribute to each member of the committee the unedited version of each, so they can refer to it but not make it part of the public record? Then, when that exercise is completed, it can be handed back and destroyed by the clerk.

Mr. Armstrong: I do not think we have any objection.

Mr. Bell: There is one other person in this room I should probably get some indication from. Mr. Manuel?

Mr. Manuel: That is fine.

Mr. Bell: We have to get a lot of things done in a very short time this morning, and I am trying to save time.

Mr. Arnott, would you deliver to each of the committee members the unedited versions of 9 and 10 on the strict understanding that these are not public documents and will be returned to the clerk for destruction later.

Mr. Armstrong, in the area of the matters that were deleted, can you confirm it is the same type of corporate, technical, financial information that was deleted previously out of concern for Wyda's product investment and competitive edge in the marketplace?

Mr. Armstrong: I can say that was our intention in doing this editing, but I can also say, as you know, that it was done over the telephone and at great speed. Therefore, I appreciate that members are receiving the full copy. That was the way we approached the editing, yes, but I do not think I can possibly vouch for every word that has been taken out. That is the point I am making.

Mr. Bell: Half my preparation has been over the telephone anyway, so that is nothing new.

I am not going to deal with the explanation given of the draft minutes of June 18 on the first page of your letter. I think the explanation speaks for itself. The draft notes of the March 6 meeting referred to in item 2 at page 2 do not exist, so you cannot give them to us. I will get to the draft minutes of the June 27 meeting in a moment, as well as the February 19 agenda in tab 10.

Tab 11--members of the committee, you already have this. It is part of the Kruger material, and I think that is tab P-1. Tab 12--Mr. Armstrong, can you confirm it is the Wyda portions of those so-called status or progress reports that were distributed internally to IDEA personnel?

Mr. Armstrong: That is correct.

Mr. Bell: Can you confirm what you have given us is that which still exists within IDEA's possession, power and control of these computer printouts?

Mr. Armstrong: Yes. These were the computer printouts that IDEA was able to find, but, as I note in my letter, this document was updated fairly regularly on computer, and the computer cannot retrieve all the back issues, so we have found what hard copies exist.

Mr. Bell: Would you give the committee members a brief description of the printout in its complete form, what information it included and what its use was?

Mr. Armstrong: Perhaps I can ask Mr. Logan to do that.

Mr. Logan: The printout would have been done weekly. If you turn to the second page where the Wyda example is, it would show the company's name and a code underneath, which was an internal bookkeeping, time-accounting code, and things like that. The name of the principal and a phone number. That would be the principal contact. The date the proposal was logged in--

Interjection: That is the top.

Mr. Logan: I am sorry. In the third column, the top date would be the date our library or information centre logged in the proposal, which was August 16, 1985. The second date would be the date information was last entered. At the time of this report, for example, which is October 21, 1985, the last time the information on the database was updated would have been September 24, 1985.

Then it would go on to give some information. In this case, the sponsor would be the vice-president in charge of investment. At this time, it was still Geoff Cannon, so his initials, GC, are--

Mr. Bell: Why is Cannon shown in October 1985 as the sponsor?

Mr. Logan: Because the information centre had not been given information at that date that it had been transferred to me.

Mr. Bell: Why was he ever shown as the sponsor?

Mr. Logan: If you recall, when the project first came in, it was



directed to Mr. Cannon by Mr. Blakley. Mr. Cannon then sent the proposal to the library to be logged in and had it referred to Pat Parikh. It was in Mr. Parikh's memo of September 9 that he first raised the issue of transferring it over to me.

Mr. Bell: Maybe I should ask this of Mr. Blakley, and I will, but if anyone were to ask Mr. Blakley who was in charge of this matter in the August and September 1985 period, what would Mr. Blakley's answer be?

Mr. Logan: In August and September 1985, he would probably say Mr. Cannon.

Mr. Bell: If somebody had called IDEA from the outside and made some inquiries respecting who at IDEA was in charge of this matter, who would have been identified? Cannon?

Mr. Logan: Certainly, for the first part of September at least. I am not sure when the transfer occurred, probably the end of September. Typically, if someone had called, he probably would have been referred to Pat Parikh, but if he had asked who the vice-president responsible was, it would have been Cannon for the bulk of that.

Mr. Armstrong: The other thing, Mr. Bell, just to remind the committee, is that the acknowledgement letter Geoff Cannon sent to Wyda is dated August 16 and would have gone out at that time.

Mr. Bell: When did Wyda first appear in these status reports?

Mr. Logan: On August 16, or the report immediately after August 16. It would have come out on a Monday or something like that. I am not exactly sure.

Mr. Bell: Except for the September 24 date we see, may we assume that the detail in each of these weekly reports prior to this October one would have been substantially the same?

Mr. Logan: Yes.

Mr. Bell: Subsequently, we see in some of them there are some detail changes. You are shown as the sponsor at some period of time.

Mr. Logan: That is correct.

Mr. Bell: Then there is reference to consulting fees paid.

Mr. Logan: Right.

Mr. Bell: But may we take it in substantial terms the weekly reports were as we see them in these documents?

Mr. Logan: Yes.

Mr. Bell: Is it still in IDEA's--that is pretty tough. Was it in IDEA's printout as of June 30 of this year?

Mr. Logan: It would have switched. You will notice that the heading at the top of the page says "Proposal status report."

Mr. Bell: Yes.

Mr. Logan: It would have switched to some pages which showed "Investment status report." If you go to the next page, Wyda is shown as "Status of proposal."

Mr. Bell: That covers that off.

10:30 a.m.

Mr. Logan: If we could get one very recently, if we saw one as of some time in June, it would have been on a page that would have been attached, often to the same report, the proposal list first and then the investment list second.

Mr. Bell: Is UR, as shown in some of the earlier reports, "under review?"

Mr. Logan: Yes, that is correct.

Mr. Bell: You can confirm tab 13 is a note of Mr. Blakley's?

Mr. Logan: Yes, I believe so.

Mr. Bell: I understand that you and Mr. Armstrong, in the interval from your last appearance before the committee, located that. No?

Mr. Logan: We actually first saw this document on the morning of June 27, which was a Friday, when I sat down with Mr. Armstrong. We had finally collected all our files together and sat down with Mr. Armstrong to go through them.

Mr. Bell: We will discuss this with Mr. Blakley. The last document, which is the one I want to start with in terms of any substantive questioning, is 14. You can confirm that these are three documents of the Wyda Corp.

Mr. Logan: That is correct.

Mr. Bell: Respecting funds dispersed during the noted periods and various budget items, again for the noted period?

Mr. Logan: Yes.

Mr. Bell: Members of the committee, would you all turn to tab 14? First, Mr. Logan, you recall we discussed last time IDEA's policy on finders' fees and whether IDEA permitted a finder's fee to be paid in respect of any of its investments. Is that a policy in any written or substantive form?

Mr. Logan: I am not aware of it as a policy in a written or substantive form.

Mr. Bell: Has that policy ever been enforced, to your knowledge?

Mr. Logan: Not that I know of.

Mr. Bell: How would you enforce it?

Mr. Logan: First, let me say I was not aware of such a policy.

Mr. Bell: Then you are the wrong person to ask.

Mr. Logan: That is right.

Mr. Bell: Would you turn to the first page of this document and describe to the committee what it is and when it first came to your attention?

Mr. Logan: This page was one of probably about half a dozen pages that were provided to me by Mr. Dobzinski when we met, it would have been probably some time in late May, to discuss where Wyda stood at that time and to discuss the second or follow-on investment in Wyda. He basically left these papers behind for me to review after that meeting.

Mr. Bell: Is that the first time you realized that \$30,000 had been paid to Canadian Intercorp, described as a finder's fee?

Mr. Logan: Yes, it is.

Mr. Bell: Did you have subsequent discussions with Mr. Dobzinski in that regard?

Mr. Logan: No, I did not.

Mr. Bell: Did you report that back to other IDEA personnel, including any directors?

Mr. Logan: No, not until we-- I recognized the name when we were going through the files and saw the handwritten note under tab 13.

Mr. Armstrong: If I can assist, I think it is important to note that there is a month's difference in time here. Mr. Logan, as he has told me, was given these Wyda documents at the end of May. It was not until the end of June that he saw the note which appears as tab 13.

Mr. Bell: When did you connect Canadian Intercorp to Mr. Fleischmann?

Mr. Logan: When I saw the note shown as tab 13, which is headed "Canadian Intercorp," and then Ivan Fleischmann's name in the right-hand corner.

Mr. Bell: Did you make inquiries to determine what this finder's fee was all about?

Mr. Logan: At the time I received this, I had put an asterisk--these asterisks down the left-hand page are mine--against three items that I intended to follow up on.

Mr. Armstrong: Excuse me, we are back on tab 13.

Mr. Logan: I am sorry.

Ms. Fish: Tab 14.

Mr. Logan: Tab 14, first page, there are three asterisks down the left-hand side. Those are my asterisks. In two cases they were large amounts of money that I wanted to check and confirm that those were the amounts that we had indeed known about prior to our closing. The words "finder's fee" caught my eye because I had not known anything about a finder's fee and I had intended to ask Mr. Dobzinski what that was about. I have not to this day ever asked him that question.



Mr. Bell: Did you make inquiries of any other sources to find out what this is all about?

Mr. Logan: No. I intended to ask Mr. Dobzinski and I had at least two or three meetings and phone calls with him after the time he gave me this. I had intended to ask him what it was about. On each of those occasions, I forgot to bring that up.

Mr. Bell: You now know what it is about?

Mr. Logan: I now know what it was about.

Mr. Bell: What is your reaction?

Mr. Armstrong: Yes, but when?

Mr. Bell: When did you learn?

Mr. Armstrong: When did you know?

Mr. Logan: I learned what it was about when Wyda produced documentation to this committee stating that this was a finder's fee paid to Mr. Fleischmann.

Mr. Bell: That is probably the same day I realized it, which was the day before Wyda testified.

Mr. Logan: It was July.

Mr. Armstrong: It was July 8, to be precise.

Mr. Logan: That evening.

Mr. Bell: Is that burned in your memory, for some reason?

Mr. Armstrong: I was here on July 8 with Mr. Parikh. That is when I saw the letter.

Mr. Bell: What was your reaction, Mr. Logan? You can use the same euphemism that your counsel did with me.

Mr. Logan: I am not sure what he used with you. From what I had seen of the note that Mr. Blakley had written and my understanding of his meeting with Mr. Blakley where Wyda was not even discussed, I thought he was paid rather well for what he did.

Mr. Bell: What about the question of the payment in general terms of a finder's fee, regardless of amount?

Mr. Logan: My attitude towards the finder's fee?

Mr. Bell: Yes. In the circumstances of this investment by IDEA to this company?

Mr. Logan: I am not totally sure what--

Mr. Bell: What is your reaction to the principle of a finder's fee paid in respect of this investment by IDEA in Wyda?

Mr. Logan: I have nothing against finders' fees as a rule. I would have hoped that, with an agency such as the IDEA Corp., no company in Ontario would need to pay a finder's fee to have anyone introduce a proposal to IDEA Corp.

Mr. Bell: Why?

Mr. Logan: Because we were an agency which was set up to be available. It was very widely known that we had money available to invest in high-technology, startup companies, and that anyone was welcome at any time to bring a proposal through our door.

Mr. Bell: Have you personally had any discussions or communications directly or indirectly with Mr. Fleischmann or anyone connected with Canadian InterCorp?

Mr. Logan: No, I have not.

Mr. Bell: Have you discussed Mr. Blakley's communications or dealings with Mr. Fleischmann or anyone else on behalf of Canadian InterCorp with him?

Mr. Logan: During a meeting in the offices of Blake, Cassels and Graydon on that Friday, June 27, when we first started going through these files to prepare documents for the committee, Mr. Blakley discussed his meeting of August with Mr. Fleischmann.

Mr. Bell: What did he tell you?

Mr. Logan: That they had got together for a short meeting over a couple of drinks, I think in Yorkville, and that Mr. Fleischmann had asked him general questions about IDEA, what its mandate was, what its purpose was and that Wyda had not come up in that conversation.

Mr. Bell: Do you know when Mr. Blakley prepared that note in tab 13 in relation to that meeting?

Mr. Logan: I am afraid I do not. I assume it was in August. The exact date, I am--

Mr. Bell: I am interested in whether it was before or after.

Mr. Logan: The meeting with Mr. Fleischmann?

Mr. Bell: Yes.

Mr. Logan: I do not know.

10:40-a.m.

Mr. Bell: Because the note refers to Wyda.

Mr. Logan: Yes.

Mr. Bell: It also refers to initials "PB"--I assume that is Peter Barnes--"has it."

Mr. Logan: That is right.

Mr. Bell: And "Call when we get package." We are going to have to ask Mr. Blakley what "package" meant, but if it means the business plan, then this discussion occurred on or before August 12.

Mr. Logan: Yes.

Mr. Bell: And Mr. Blakley's meeting is August 19.

Mr. Logan: Yes.

Mr. Bell: You know nothing about that though.

Mr. Logan: No. I could tell you what I--but I do not know.

Mr. Bell: Do not ever give counsel an open invitation. What were you going to say, Mr. Logan?

Mr. Pope: Yes, go ahead.

Mr. Epp: He was not going to say anything.

Interjections.

Mr. Logan: I have no specific knowledge. You would have to ask Mr. Blakley.

Mr. Pope: Just take a wild guess.

Mr. Armstrong: No, we are not here to guess.

Mr. Pope: Then I will ask him and he can answer me, if you want to play it that way. This is not a meeting down the hall.

Mr. Bell: We are entitled to ask this witness what his belief is.

Mr. Armstrong: He has said he would guess. A belief is not the same as a guess.

Mr. Bell: Do you have a belief, Mr. Logan?

Mr. Logan: I have no knowledge base on which to believe it.

Mr. Pope: What is your belief?

Mr. Logan: If you are asking me to guess--

Mr. Armstrong: Do not guess. That is not a belief.

Mr. Pope: What is your belief?

Mr. Logan: I have no knowledge on which to base a belief.

Mr. Bell: We will ask the man who--

Mr. Logan: Mr. Blakley should be able to tell him.

Mr. Bell: I have reviewed your diary, Mr. Logan, and I note between late January and mid-May of 1986 there are a number of references--I would say almost 20 in number--to an individual by the name of David Scott in connection with Wyda. Who is Mr. Scott and what is that connection?



Mr. Logan: Mr. Scott is a venture capitalist in Toronto. He is the president of a company called Toronto Shared Ventures which has invested in a number of high-technology startup companies, including one company in which IDEA also invested. I wanted to speak to Mr. Scott to see if I could interest his company in investing in Wyda, either soon or at some point down the road.

Mr. Bell: The first entry I have is January 28, 1986. Why were you making inquiries respecting private venture capital for Wyda as early as that date?

Mr. Logan: As we discussed on my previous appearance, in my letter of January 27 in tab 8 we were talking about \$1 million, as is also in the business plan and I think outlined in our venture summary which the members have. Wyda was saying it needed \$6 million for development. There was still \$5 million of venture capital required to meet the original business plan that Wyda had set out. To the extent I could interest potential sources of capital in investing some of the remaining \$5 million, it would enhance whatever money we would invest.

Mr. Bell: Were any of those efforts successful?

Mr. Logan: No, they were fully invested at that time. Mr. Scott was in the process of trying to raise more money and was not going to be able to look actively at any specific investments until he had completed the next round of financing.

If I might also point out why the number of references to Mr. Scott appear, it might help the committee members and perhaps does not reflect tremendously on myself, but in the way I keep my diary. I list every day those things that need to get done and I prioritize them.

Mr. Bell: I have never seen anything like it in all my life. If I did what you do in your diary, I would not have time for anything else. I know you do have time for everything else, so that is a compliment.

Mr. Logan: That was not a high priority item. It kept getting carried from day to day.

Mr. Bell: All right. I have also noted in your diary, starting about November 1985 and continuing through to mid-March 1986, perhaps 12 to 15 references, the names of some individuals whom you have described at least once in your diary as the New York guys. Who are they and what is their connection to Wyda?

Mr. Logan: They have no connection with Wyda, but they, once again are venture capitalists in New York, almost all of whom are former employees or partners of McKinsey & Co., the consulting firm I used to work for. I had been intending to talk to them about potential sources of venture capital for Wyda.

Mr. Bell: For Wyda?

Mr. Logan: For Wyda.

Mr. Bell: Did you ever have such discussions?

Mr. Logan: In most cases, and you could probably tell me since you have my diary, unless I crossed off the item, it did not get done.

Mr. Bell: I have noted also in your diary on five occasions, May 10, 1985, May 28, 1985, July 17, 1985, August 7, 1985 and February 26, 1986, there is a reference to Peter Barnes. Do any of those references relate to Wyda?

Mr. Logan: No.

Mr. Bell: Did you ever have any discussions with Mr. Barnes respecting Wyda's application?

Mr. Logan: None whatsoever.

Mr. Bell: Did you have any discussions with anyone in the Ministry of Industry, Trade and Technology respecting Wyda?

Mr. Logan: Certainly none that I can recall.

Mr. Bell: We heard name yesterday of Peter Wilkinson?

Mr. Logan: I have never heard of him.

Mr. Bell: Lynn Harrington?

Mr. Logan: The name rings a bell, but I am not really familiar with the gentleman.

Mr. Bell: Or any discussions that you can recall re Wyda?

Mr. Logan: No.

Mr. Bell: Tab 9, the February 27 executive committee meeting, you were in attendance throughout?

Mr. Logan: It was a conference call and I was in the offices of Blake, Cassels and Graydon that day. I was on the telephone from Blake, Cassels and Graydon.

Mr. Bell: You were on the conference call throughout?

Mr. Logan: I was.

Ms. Fish: June 27.

Mr. Bell: June 27. The reference on the first page under Wyda Systems, "Mr. Macdonald stressed that at any time, but particularly at this time, it was important that the president was prepared to support the proposed recommendations to the executive committee."

Mr. Logan: Yes.

Mr. Bell: Why was it particularly "at this time"?

Mr. Logan: I believe he was making reference to the fact there was a committee being proposed to look into matters that related to Wyda. That would be my interpretation of his comment.

Mr. Bell: I understand that Mr. Blakley, up to the time of this meeting, really had very little, if any, knowledge as to the substance of the proposal that was discussed.

Mr. Logan: The substance of the proposal discussed at this executive committee meeting?

Mr. Bell: Yes.

10:50 a.m.

Mr. Logan: I believe I had discussed it with him in general terms--I cannot be absolutely certain of that, Mr. Bell, but I believe I discussed with him in general terms what the conditions would be, probably back in early June, when we were first discussing it. What I was trying to point out here in that second sentence was that we had the documents drafted by Blake, Cassels and Graydon with the very specific terms in them, and they had been clarified only the previous day, so Mr. Blakley had not seen those very specific terms.

Mr. Bell: Would you turn to page 6 of this minute, please?

Mr. Logan: Yes.

Mr. Bell: The third paragraph, in the middle of the page, speaks to what has happened to the \$3 million.

Mr. Logan: That is correct.

Mr. Bell: There is a reference to major accounts payable.

Mr. Logan: Yes.

Mr. Bell: If we cross-reference that with the pages in tab 14, am I correct that those pages specify the major accounts payable?

Mr. Logan: No, there is a difference. Tab 14, if we can turn to that for a moment, has the funds that were actually disbursed between April 19 and April 30; April 19 being the day after we closed and actually injected the \$3 million into Wyda. So tab lists the funds that were actually disbursed in that roughly two-week period to the end of April.

The reference I am making on page 6 would be as of June 1, as it says, I think in the third sentence. I think it is referring to me, that Mr. Logan said that as of June 1--

Mr. Bell: So effective June 1, there is \$1 million left?

Mr. Logan: Yes.

Mr. Bell: Out of the \$1 million, there are \$300,000 in known commitments?

Mr. Logan: Yes.

Mr. Bell: Leaving \$700,000 for whatever use is appropriate?

Mr. Logan: Yes.

Mr. Bell: Did IDEA know, as of March 6 when the directors approved the approval or April 18 when the deal was closed, that by June 1 or thereabouts Wyda would have only \$700,000 left of the \$3-million investment?



Mr. Logan: You have used a very specific number; \$700,000.

Mr. Bell: Or thereabouts.

Mr. Logan: We knew there was going to be quite a large chunk of money that was going to have to be used for back obligations and what not, which was part of our negotiations to flow the option money immediately in return for their retiring debt. Their monthly debt service costs would go down, so their monthly costs would reduce.

There were a couple of large items which Mr. Dobzinski had undertaken to try to get reduced and would be subject to negotiation, one of which was the Canada Lease obligation shown in tab 14, which was \$285,000, because there was a dispute over whether National Semiconductor had properly installed their computer.

Mr. Bell: We have heard about that.

Mr. Logan: The second amount was the \$200,000, which was a commitment outstanding from the time the scientific research tax credit was put together to pay the Cumberland Group out of a second round of financing, wherever that may come from. As I noted here, Mr. Dobzinski, to my understanding as of that date, was still attempting to reduce that.

Mr. Bell: Still with tab 14, the first page, are you aware who Budgrove Ltd. is?

Mr. Logan: I do not know the principals of Budgrove. I do not know who owns Budgrove.

Mr. Bell: Do you know what that obligation is about?

Mr. Logan: Yes. Let me step back. Wyda had bought a number of work stations, I think in excess of 20 computer work stations, from Budgrove, which Budgrove had financed. The total debt obligation to Budgrove was something in the neighbourhood of around \$4 million.

Mr. Bell: It comes in the category of goods and/or services required by Wyda in respect of the product it is developing?

Mr. Logan: That is correct.

Mr. Bell: Do you know whether any of these listed at the first page of 14 have anything to do with the Cumberland Group?

Mr. Logan: I do not. I am not aware of any connection of the Cumberland Group to any of these people listed here.

Mr. Bell: I think tab 10 speaks for itself. We have talked about 12, and 13 is for Mr. Blakley.

You were present when Mr. Cannon testified?

Mr. Logan: Yes.

Mr. Bell: I do not think Mr. Cannon said anything about Mr. Fleischmann, because I do not think Mr. Fleischmann's name came up.

Mr. Armstrong: That is correct.

Mr. Bell: There is a reference in Mr. Fleischmann's diary in August 1985, specifically August 16, to call Geoff Cannon. His evidence yesterday was that he is certain he did call him. Have you ever discussed any discussion that Mr. Cannon has had with Mr. Fleischmann?

Mr. Logan: I asked Mr. Cannon about it very recently.

Mr. Bell: What did he tell you?

Mr. Logan: He said there were two occasions he had interaction with Mr. Fleischmann. One was--and he could not remember the date--a proposal that had been submitted to IDEA. Again, Mr. Cannon could not remember the name of the proposal. Mr. Fleischmann had called after a period of time. I believe Mr. Cannon said it was after he had turned the proposal down and sent them a letter saying that IDEA was not interested. Mr. Fleischmann had called him by telephone to ask him the reasons for turning it down. Mr. Cannon gave him the reasons, and Mr. Fleischmann accepted them, and that was the end of it.

He also mentioned that he met Mr. Fleischmann very briefly, I believe in a restaurant--I think it is Penelope's--in the building in which IDEA is located--

Mr. Bell: We will have to charge for this free advertising.

Mr. Logan: --where he had gone down to get Mr. Blakley. Mr. Blakley was meeting with these gentleman, and they introduced him as Ivan Fleischmann at that time.

Mr. Bell: Briefly, Fleischmann's recollection of the August 16 discussion is that it had to do with Wyda; in fact, that is what his diary indicates. Is it your understanding from your discussions with Mr. Cannon that he has no recollection of any such discussions?

Mr. Logan: That is my understanding of Mr. Cannon's recollection.

Mr. Bell: I do not have any further questions, Mr. Chairman.

Mr. Chairman: I have only one questioner on my list. Mr. Pope.

Mr. Philip: You had me on your list.

Mr. Chairman: You did not indicate that you wanted to. If you want to, you have the right to lead off.

Mr. Philip: Mr. Logan, you stated you were not aware of the policy against finders' fees. I wonder if I can review with you your understanding of how policy was understood and set by IDEA Corp. I find it very strange that Mr. Blakley indicates there is a policy against finder's fees, and you are on the front line dealing with these proposals and you are not aware of that. It just strikes me as blatantly strange that this would happen.

Would you agree that under section 19 of the act, there are regulations that can be set? Can you tell us whether at any time there was any attempt to set a regulation that would have dealt with an item such as finder's fees, or would it be more logical to simply do it as an in-house kind of rule or regulation?



Mr. Logan: I am not familiar with section 19.

Mr. Philip: Basically, section 19 says that regulations can be set. There is nothing in the act that has a prohibition against finder's fees, and it is not likely that there would be.

Mr. Logan: Right.

11 a.m.

Mr. Philip: It might be under regulations, but again, one would argue whether that was too specific to put under regulations. I wonder whether you can tell us how an item such as the prohibition against regulations might have been set by the IDEA Corp.

Mr. Logan: The prohibition against finder's fees?

Mr. Philip: Yes.

Mr. Logan: There was a fairly large financial and administration manual of IDEA Corp. It may have been part of that manual. I am not aware of it being part of that. Mr. Blakley would be the person to discuss it.

If someone had asked IDEA to pay a finder's fee because he could introduce us to a company, if a person had come to IDEA Corp. and said to us, "We know of a great high-technology company or a great technology to start up and for \$10,000 or \$50,000, or whatever number, we will introduce that company to IDEA Corp. and give you the opportunity of doing your best," we would have told them to jump in the lake, not because I was aware of the prohibition against that, but just because I would not have done that type of thing.

However, in this case, this was a matter between a company and someone it had hired to perform a service. I was not aware and am not today aware that we have a specific written policy or even a verbal acknowledged policy that a company we are investing in cannot pay a finder's fee.

Mr. Philip: Why would IDEA Corp. pay a direct finder's fee?

Mr. Logan: We would not.

Mr. Philip: Surely the finder's fee would be paid indirectly through the company which required the capital.

Mr. Logan: In business in general, it is not all that unusual for an agent to approach a company which he or she would know is interested in making investments and tell that company, "Listen, I know a company in the food and beverage industry that is for sale and in return for a fee of X per cent of the transaction price, I will introduce you to that company." Is it going to put the company--

Mr. Philip: It would be analogous to my paying a stockbroker's fee to find a suitable investment for me.

Mr. Logan: Not dissimilar.

Mr. Philip: Are you trying to say there may have been a policy against active payment but not against passive or indirect payment?



Mr. Logan: I am not aware of any specific written policy. Along the explanation I gave to Mr. Bell earlier, our attitude was, "Good heavens, we are here to do this type of thing and we certainly are not going to pay somebody for access to make an investment." If someone wants us to make an investment, he should be approaching us directly.

Mr. Philip: You mentioned the manual. Has counsel seen that manual or have you--

Mr. Bell: Oh, I forgot to ask you something. I have to come back. Yes, I have. It is part of the material.

Mr. Philip: Do you want to come back then, and credit me with the time that is left?

Mr. Bell: No. I will come back in my normal course.

Mr. Philip: Is it permissible for me to ask counsel a question directly?

Mr. Bell: No.

Mr. Chairman: We increased his rate. It is permissible.

Mr. Philip: It seems to me I voted for pay increases.

Mr. Bell: Anything but that. Ask me anything but that.

Mr. Philip: Shall I reopen it? We heard testimony that you do not have to have written contracts for these, so they can be reopened at any time. Lawyers are the worst offenders. That was also testimony.

Mr. Bell: L-1.

Mr. Philip: Under L-1 then, you have the act.

Mr. Bell: No. L-1 is a code of conduct manual.

Mr. Philip: Is there anything in the IDEA code of conduct manual, your having reviewed it, that deals with the payment of a finder's fee or prohibition against a finder's fee?

Mr. Bell: There are some things on conflict of interest. As for IDEA--

Mr. Pope: Skip the irrelevant stuff.

Mr. Bell: I cannot recall, Mr. Logan, that there is anything specifically or by inference in the code of conduct manual. The code of conduct manual applies to IDEA people; it does not apply to outsiders.

Mr. Logan: I do not want to get you into more work, Mr. Bell, but in addition to the code of conduct manual, which speaks for itself, there was a finance and administration manual which had everything from how to ask to take a day off to when you took your vacation and who you had to get approval from.

Mr. Bell: I have not looked at that document.

Mr. Philip: It strikes me it would be useful to find out whether there was such a prohibition. If there was, then I do not know how you can call, in tab 4, the \$30,000 paid to Canadian Intercorp anything but a finder's fee. It is even labelled there and, therefore, a fee was paid for something.

Mr. Bell: There is no dispute. IDEA agrees it was a finder's fee. What that is described as is not in dispute at all. With respect, it really does not matter at all whether there is a written policy. If that is IDEA's position, that is IDEA's position, and IDEA will implement that by making it a term of the investment. There can be no stronger tool than that.

Mr. Philip: It is interesting how it happened. Have you read the testimony? You indicated you did not have an opinion on Mr. Fleischmann personally because you had not had direct interaction with him. Is it your experience that other people at IDEA Corp. would have shared the position of Mr. Blakley that Fleischmann was "a political hack"?

Mr. Logan: I am not aware of anybody at IDEA Corp. knowing who Mr. Fleischmann was. They would not have any basis to understand what he was.

Mr. Philip: Have you read the testimony of last night?

Mr. Logan: No, I have not.

Mr. Philip: Would you agree in your experience with IDEA Corp. that it might be, in hindsight, a useful practice to have some kind of registration system, a disclosure system, for political hacks or lobbyists, or whatever you want to label Mr. Fleischmann's job?

Mr. Logan: I do not know whether it would have been useful to me to have had that. As I testified last time, I would not have cared who he was, where he was or what connections he had. I was determined, with every proposal that came to IDEA Corp., if it was a good proposal that we felt would be commercially feasible, we would invest, and if it was not, we would not. It would be irrelevant who had introduced it to us or who was connected with it.

11:10 a.m.

Mr. Philip: Do you have any indication why, even though in the Wyda Systems disbursement of April 19, 1986, to April 30, 1986, it was noted in no uncertain terms that the \$30,000 was a finder's fee and it is labelled as such, and yet on July 3, Mr. Blakley had the conclusion that, when he was asked whether it had been considered a finder's fee--and these are the important words--"I did not consider it a finder's fee." Do you have any idea why Mr. Blakley might not consider it a finder's fee?

Mr. Armstrong: Excuse me. Mr. Philip, if you look at that paragraph in detail as I have, that was a discussion about Mr. Caplan. There had been no discussion of Mr. Fleischmann in previous testimony. That was a discussion of Mr. Caplan and his fee of \$2,000, \$8,000 or whatever it was at a particular time. I am certain of that.

Mr. Philip: It is the \$8,000. All right. That is correct. Looking at the next figure, the second one down, the \$584,670 paid to Budgrove Ltd., the promissory note owing--I know that counsel has reviewed this with you, but would you run that by me again? What was it paid for? You said it was a loan.

Mr. Logan: Wyda had purchased a large amount of equipment from



Budgrove which was financed by Budgrove and it was repaying this money. When we negotiated the deal with Dobzinski on the basis upon which it finally closed, the largest chunk of the money owing to Budgrove was to be repaid by Dobzinski, but there was still this amount that would still be outstanding and would come from the proceeds of the money we were flowing in. I had asked just to make sure that I went back into the documentation to satisfy myself that that in fact was the correct number, and I did indeed do that. That is the number that I had understood when we closed the deal.

Mr. Philip: Essentially this promissory note has floated over what period?

Mr. Logan: It was initially advanced, I believe in late 1984, Mr. Philip.

Mr. Philip: Over a period of how long?

Mr. Logan: I think it was going to be a four-year or five-year period.

Mr. Philip: Was the paying of this then what would in other words be the paying down of a long-term debt? Have you considered five years as a long-term debt?

Mr. Logan: Yes.

Mr. Philip: Would that have been a normal policy of IDEA Corp. to pay down long-term debts of corporations that it was investing in?

Mr. Logan: I am not sure. Again, we would have had a policy against paying down a long-term debt. I believe we were trying to do was to strengthen the whole balance sheet of Wyda to remove a large amount of debt that was on its books and make the company more attractive to subsequent rounds of venture investment.

The principals of Wyda--Dobzinski and his family--were prepared to pay the largest portion of the debt owing to Budgrove, as well as 100 per cent of the debt owing to a company called Grancom, but as part of the negotiations, we agreed that a portion of our money would be used to retire the smaller amount that was owing to Budgrove. Part of the negotiating process was to get them to retire the larger amounts.

Mr. Philip: That total amount of that debt for the hardware, if you like, that was purchased was directly related to the research into the specific investment.

Mr. Logan: Yes. These are work stations that the engineers and the computer people used to develop the CAD/CAM system that Wyda has developed.

Mr. Pope: Can I go back on a couple of points that Mr. Philip has raised? I think they are pretty critical for our committee. Can you tell me why you do not know anything about commission fees when Mr. Cannon said it is the normal practice to ensure that none of the funds provided by IDEA are used for commission fees? If he thinks it is normal practice that none of the funds can be used for commission fees, why do you not know anything about it?

Mr. Armstrong: Where are you referring to?



Mr. Pope: I am asking the question. If you want a reference I am referring to the IDEA Corp. book, document 23, page 20.

Interjection: Middle paragraph.

Mr. Pope: You are absolutely right.

Mr. Logan: You would have to ask Mr. Cannon, Mr. Pope. I did not as a rule ask companies we were investing in whether any money was being used as commission fees. As Mr. Cannon has outlined here, what we did ask was that material contracts be disclosed.

Mr. Pope: On the closing.

Mr. Logan: On the closing.

Mr. Pope: Can I just continue through this paragraph because I find it is passing strange that you have no idea about this policy and Mr. Cannon goes into such great detail on this matter.

The rest of the paragraph reads: "and said that he was unaware of any investment made by IDEA where this has happened. In fact, he said that IDEA has insisted that potential investees not pay brokerage fees to individuals retained to seek financial assistance from IDEA, and, in some instances, IDEA has turned down applications where this was the practice."

He goes at great length in describing this policy with respect to commission fees, and you know nothing about it. How can that be?

Mr. Logan: The only possible explanation I have, other than pure ignorance on my part, is that I tended to deal primarily with companies that were startup companies, where we very often were dealing with the technical people who develop the technologies themselves. The individuals in the companies that I dealt with were early stage. If you will recall--I am not sure if we testified to this effect--but the way IDEA was organized was into pre-startup companies and post-startup companies. I was handling the pre-startup and Mr. Cannon the post-startup.

The only other explanation that, as I say, I can think of is that in dealing with companies that were already up and running and maybe even had sales and were further advanced, Mr. Cannon would run into this situation, perhaps on a frequent basis. I am not sure. That was a stand that he took. But, quite frankly, in any company I was aware of--I am not aware of any until the Wyda case came up. I am not aware of any of the funds that my side of the organization invested ever being used to pay a finder's fee, but that, I must say, is not because I specifically asked whether there was any finder's fees being paid and people said, no, they were not; it is just that I am not aware of them being used.

I would think that in most cases they would not have been, because we very often, with the very specific individual who brought the proposal in--and, as far as Mr. Dobzinski is concerned, I had no knowledge until we started going through all these materials in preparation for these hearings that it had not been Mr. Dobzinski himself who had brought in the proposal.

Mr. Armstrong: Could I just point out as well that, as we have said previously, these are draft minutes. I do not believe the comments on any of these pages are Mr. Cannon's, and I do not know what he may have done to that paragraph.

Mr. Pope: Then who concocted all of this to try to convince people on June 21 that this was a policy?

Mr. Armstrong: I cannot comment on whether it was concocted. I am just pointing out that this is a draft. I do not know what the final will look like, because it has not yet been done.

Mr. Pope: One way or the other, either Mr. Cannon specifically discussed this very detailed policy of which he had knowledge and Mr. Logan has no knowledge of or someone concocted the statements and attributed them to him in order to try to say that IDEA Corp. dealt with this matter of commission fees at this meeting. Which is it?

Mr. Armstrong: I do not know.

11:20 a.m.

Mr. Pope: I want to go back to the same paragraph in the light of the comments you just made. Not only do you not know about this policy that Mr. Cannon seems to have a lot of knowledge about, but you just say you never asked and therefore you are totally at odds with Dean Slemmon in the previous sentence. In the first sentence he is asking about the normal procedure of IDEA Corp.

Mr. Logan: He is asking about it.

Mr. Pope: You know nothing about that.

Mr. Logan: No. Also I was not at this meeting, Mr. Pope, so I had not been aware this discussion had gone on.

Mr. Pope: Can you tell me where in the closing documents this agreement is to pay off the debts, the proposed disbursement sheet?

Mr. Logan: The acknowledgements that the debts were paid off?

Mr. Pope: No. You indicated in your earlier testimony--I am following up on Mr. Philip because he raises an excellent point again. It looks to me as though this \$1.5 million went to refinance the debt.

Mr. Logan: Which \$1.5 million?

Mr. Pope: Document 14.

Mr. Philip: It is \$586,678--

Mr. Pope: In total it is \$1.5 million. It is all paying off debts. Where is the commitment to new technology?

Mr. Logan: First, any time a company incurs any service, I guess it incurs a debt.

Mr. Pope: Yes.

Mr. Logan: If you call the Receiver General holding back source deductions from employees a debt, of course, that is an ongoing business expense. I think what you are specifically referring to is probably Budgrove, the amount to Mr. Dobzinski and the amount to Canada Lease.



Mr. Pope: Let me re-ask my question, and I am sorry I interrupted your answer. Where in the closing documents of this financing transaction is there an agreement between Wyda and IDEA Corp. to pay these amounts of money, the existing debts?

Mr. Logan: There would not be a specific document in the closing documentation saying there is an agreement to pay these debts. The closing documentation of any investment would be essentially laying out the basis upon which we are investing. We had an understanding, and there is a handwritten note in my files, which Mr. Bell has seen, that we wrote out and which was the basis of the agreement. It was actually done at a breakfast meeting at the Inn on the Park Hotel, a meeting that we have referred to previously. That was the basis upon us moving forward and we agreed to proceed with making the investment, but we did not formalize it in the closing documentation.

Mr. Pope: By the way, I used to do a lot of commercial law. I have never heard of this handwritten document ahead of closing that is not part of the closing, but anyway--

Mr. Armstrong: That was to work out the terms. That is what he is referring to.

Mr. Pope: Are you saying that the handwritten notes of this meeting at the Inn on the Park contain a specific agreement to pay off existing debts and are specifically listed?

Mr. Logan: The specific amounts are not listed, but we knew what the amounts were. I had wanted to be sure. They were in the files and we could produce them. You know what the file is like.

Mr. Bell: I do not have any recollection of ever receiving that document. I have a recollection of making inquiries as for how the paydown on the long term came about and how it related to the closing. I have been told it was an oral commitment that before Wyda paid its \$3.5 million, it had to pay down the--

Mr. Pope: I am going to get into that right now. That is where I am heading just so you know. I am heading into the \$4.5 million or, before a meeting, the \$3.5 million and the apparent renegotiation of the debt sufficient to satisfy you and then the commitment. I wanted to ask you a bunch of questions on that.

First of all, who was at the Inn on the Park meeting?

Mr. Logan: I think I put it on the record previously. My recollection was that it was Mr. Dobzinsky; Mr. Webman, who is Mr. Dobzinsky's father-in-law; Mr. Caplan; Mr. Cannon and myself.

Mr. Pope: When was this breakfast meeting? Maybe we heard this before, but I am sorry, I just cannot remember.

Mr. Logan: May I check the books?

Mr. Pope: Go ahead. Take your time.

Mr. Logan: I believe that was April 10.

Mr. Pope: Was that where the final numbers and the final breakdown



of the disbursements were arrived at? Is that what you are saying?

Mr. Logan: The basic issues, such as that the shareholders' loans that Mr. Dobzinsky and his family had put in would be paid off. This amount of money to Budgrove would be paid from our funds. We had always understood the National Semiconductor or Canada Lease amount would have to be paid, although Mr. Dobzinski was negotiating that. There was a dispute on the amount and the equipment. Also on his side, he and his family were to retire the remaining debt to Budgrove, as well as the debt to Grancom.

Mr. Pope: That is a verbal discussion. By the way, did you find your notes?

Mr. Armstrong: No, they are not here.

Mr. Logan: Of that meeting?

Mr. Pope: Yes.

Mr. Armstrong: They are back at the office.

Mr. Pope: Whatever notes you have of that meeting, could you make them available?

Mr. Logan: Certainly.

Mr. Bell: Just produce them to me.

Mr. Logan: We will produce them to Mr. Bell.

Mr. Pope: Sure.

Mr. Logan: What I had wanted to do was to clarify this. That was April 10. We were trying to finalize this thing a bit. What I did not want to do was go away from that breakfast meeting and then later have a dispute as to what we had agreed on. I had ripped a piece of paper off a pad and I said, "Let me write this down so that there will be no argument in the future as to what our agreement is." I wrote it down and basically handed it to Mr. Dobzinsky, "Is this how you agree?" I think he had one small change and there would be a little interjection I would put in and he said, "Yes, that is it." I went back to my office, I photocopied it and sent him a copy, so that he had a copy and I had a copy of our agreement.

Mr. Pope: Based on that agreement, the deal was finalized.

Mr. Logan: We finalized the legal documentation. Then on April 12, which I think was a Saturday, we got together and signed that documentation. That was a signing that was conditional upon Mr. Dobzinsky then securing the refinancing of the debt. He then immediately set about doing that and confirmed with me with early the following week that he would be able to have it done by Friday. They would be prepared to close and give us evidence they had retired it. We finally closed on the following Friday, April 18.

Mr. Pope: If there had been no agreement on April 10, you would not have been able to close.

Mr. Logan: Yes.

Mr. Pope: I am not asking a question but just to lead into it, may I address the general area of the commitment of why the paydown of the long-term debt, to renegotiate the long-term debt? Was it your understanding that all long-term debt would be dealt with prior to the closing?

11:30 a.m.

Mr. Logan: My understanding was that the total amount owing to Grancom would be retired before we would flow our funds. The balance other than this \$584,000 owing to Budgrove would be paid off, but the amount still owing to Canada Lease, which was the National Semiconductor main frame, would not be retired. That would be paid out as per the terms of the lease. So the lease, in a sense, was off-balance-sheet financing.

Mr. Pope: To retire long-term debt, it was up to Mr. Dobzinski to find a way to do that. In fact, he was successful in renegotiating some elements of it and there was an infusion of additional money to the company, perhaps secured through equity or whatever. You were satisfied with his attempts to solve the long-term debt issue.

Mr. Logan: Yes.

Mr. Pope: Is there anywhere in the documents in which you specifically determined which long-term debt had to be dealt with and which did not?

Mr. Logan: The one-page handwritten note.

Mr. Pope: On April 10?

Mr. Logan: Yes. We very specifically named Grancom and Budgrove.

Mr. Pope: How much was disbursed on closing?

Mr. Logan: By IDEA Corp.?

Mr. Pope: Yes.

Mr. Logan: On the 18th, a cheque was in the amount of \$3 million.

Mr. Pope: Out of that, \$1.5 million, or roughly half of it--

Mr. Logan: Could have gone to pay existing obligations.

Mr. Pope: Including more than \$540,000 back to Mr. Dobzinski. I am taking the \$462,000 plus the \$83,000.

Mr. Logan: I am not sure how much of the \$83,000 amount was owed to Mr. Dobzinski. It was all payroll. It was the April 15 payroll, April 30 payroll, plus arrears owing to Mr. Dobzinski from January 1986.

We had understood that the amount owing Mr. Dobzinski was for back salary which he had not taken, for shareholders' loans he had put in in cash, actually injected into the company by him. I think the funds came from his father-in-law, but the cash injection was by him.

Mr. Pope: I do not want to hear how he got it or anything else like that.



Mr. Logan: The amount owing to Mr. Dobzinski was around \$500,000.

Mr. Pope: So in approving a \$3-million investment, \$500,000 was going to go back to the person who was asking for the investment.

Mr. Logan: That was part of the negotiations from the beginning. Our initial stance had been that those moneys be left in as part of the negotiations. This was if they could retire the debt owing to Grancom.

Let me step back a little further yet, and I am sure I testified about this in my previous appearance: Very early on when we negotiated the basis upon which our money would go in, one of the things we had made very clear to Mr. Dobzinski was that, in all our investments, we like to see a commitment by the entrepreneurs, the people who are running the company. Therefore, we wanted him to leave in his shareholders' loans.

When we first started negotiating, it would have been less than this, because at that point he was funding all the payroll costs, 100 per cent of payroll costs, and other important bills. His retort to that was: "My family and I have guaranteed loans of \$4.5 to \$5 million. Is that not sufficient commitment that we are on the hook?" Our approach then was that if we could satisfy ourselves that the loans were backed by assets and his family would have to pay the money if he defaulted, that was a pretty good commitment.

As negotiations progressed, we switched it around. Instead of them guaranteeing the loans as a commitment and being able to get back shareholders' loans, they would pay off the loans but they would get back their shareholders' loans. We felt that retiring the amount of debt was a very significant commitment to this company and, therefore, for the roughly \$500,000 in shareholders' loans, it was appropriate to pay back that amount to them.

Mr. Ward: I want to pursue the policy with regard to the finders' fees or commissions, or whatever. You indicated that none of the money that IDEA provides, as far as you are concerned, is to go for commission fees or finders' fees.

Mr. Logan: I do not think I indicated that, Mr. Ward. I said I was not aware of the specific policy and I had not been aware of other investments I had made that were used to that effect.

Mr. Ward: Let me talk in general terms about how IDEA would disperse its funds. In looking at the annual reports of 1984 and 1985, it seems that a substantial amount of money goes into syndication funds for redeployment. It is my understanding, again looking at the annual reports, that money would be reinvested in individual companies with specific technologies. My assumption is that reinvestment is either for a fee, in one form or another, whether or not it be a percentage of the reinvestment, or in terms of equity.

In looking at the 1985 annual report, out of \$18 million in total venture investments by IDEA Corp., \$10 million, or 60 per cent, went to one syndicator. Is that not rather inconsistent with the notion that none of IDEA's money is to be used for brokerage fees or to generate a profit for somebody else that hands it out?

Mr. Logan: I think it would be. I was not at IDEA when those two investments were made.



Mr. Ward: But 60 per cent of your investments in 1985 were to one syndicator.

Mr. Logan: Furthermore, Mr. Ward, I believe that in both of the syndicates we invested in there was a dealer involved in putting those deals together. That dealer would have received a percentage of our funds as the commission for putting that together.

Mr. Ward: Who was the dealer?

Mr. Logan: I believe the Derlan syndicate was put together by Loewen Ondaatje McCutcheon and the Middlefield syndicate was put together by a company called McCarthy, a small investment dealer in Toronto.

Mr. Ward: I cannot see how anybody can make any sort of valid argument that none of IDEA's investments were ever to generate either a commission or a brokerage fee. That is totally inconsistent with the operation of the IDEA Corp. in 1984-85, investing \$3.5 million to Derlan Industries Ltd., a technology transfer and licensing broker. That money was reinvested in a company that makes office doors, not exactly high technology. The same goes for Middlefield Capital Fund. That was \$10 million out of an \$18 million total investment by IDEA Corp. in 1985.

Those are all the questions I have. It seems to be a pretty blatant inconsistency.

Mr. Logan: It is also one of the reasons, Mr. Ward, perhaps not fully relevant, but during the year Mr. Cannon and I were there, Mr. Cannon assumed responsibility for both these investments and we tried to get ourselves out of both of them. We succeeded with Derlan and we did not succeed with Middlefield.

11:40-a.m.

Mr. Ward: I think at the conclusion of 1985 you had decided, as it kind of says in your annual report, that you wanted to get out of those situations. One can draw certain conclusions from that. Was the Cumberland application a syndication fund? The name comes up and up and never really seems to tie in directly.

Mr. Logan: Essentially.

Mr. Ward: Is that the reason IDEA did not process it in 1986?

Mr. Logan: It was in 1985, and that was the major reason we did not proceed.

Mr. Ward: Did you redirect it?

Mr. Logan: It was Mr. Cannon who handled it. We turned them down.

Mr. Ward: You did not advise them to go elsewhere for the money.

Mr. Logan: I do not believe so.

Mr. Ward: You are aware they did get funding.

Mr. Logan: I am not aware of what subsequent funding they received

after they dealt with us. They might have received some funding earlier for a specific project. In the early part of 1985 they received some provincial money for a specific project they were taking on, but with respect to raising money for this syndicate of companies in which they were planning to invest, we turned them down. I think Mr. Cannon testified that was in September 1985.

Mr. Ward: On June 24, they got \$5.8 million, which in the end was--

Mr. Armstrong: Are you talking about the Board of Industrial Leadership and Development money that was referred to yesterday?

Interjection: That was before.

Mr. Ward: Was that prior to their coming before IDEA?

Mr. Logan: I believe they had initiated contact with IDEA prior to that, but the two things were different. The money they got under BILD was for a specific project and they were requesting money from IDEA for the syndicate.

Mr. Ward: The money they got from BILD was reinvested in three--

Mr. Logan: I think in only one project, whereas their syndicate was going to invest in many projects.

Mr. Ward: That is not my understanding, but it is probably not relevant to this anyway. The point is that a lot of IDEA money--as a matter of fact the bulk of IDEA money--went into syndication that was brokered; the money was on broker.

Mr. Logan: That is correct and that was the purpose of the new business plan Mr. Cannon and I had written.

Mr. Wildman: When you were making contacts in an attempt to seek private capital for investment in Wyda, were you acting on behalf of IDEA or Wyda or both?

Mr. Logan: I would have been acting on behalf of IDEA in that at that time we were very certain we wanted to make an investment that would be in IDEA's best interest, to have other investors provide additional funds to Wyda.

Mr. Wildman: When did you first contact private venture capitalists to try to see whether they would be interested.

Mr. Logan: Mr. Bell still has the calendar.

Interjection.

Mr. Logan: They are here now.

One of the reasons Mr. Scott's name appeared so frequently was that I had a good intention to call him, but time being what it was and because of other priorities, it took me some time before I finally called. Of the New York people I phoned--I would have to flip through to confirm it--I probably ended up getting in contact with only one or two of them, having very preliminary discussions to gauge whether they would be interested in looking at something in the computer-aided design and manufacturing industry.



Mr. Wildman: Do you know what time frame that was?

Mr. Logan: It was somewhere between the end of January and some time in March or April, during the time these negotiations had been going on. It might have carried on subsequently to that too. I also might have kept it in my diary to try to get it done, possibly even into May as well.

Mr. Wildman: Was it normal practice for the staff of IDEA Corp. to seek private financing for companies in whose projects IDEA was interested in investing?

Mr. Logan: Yes, it was a normal practice.

Mr. Wildman: There would be no finders' fees?

Mr. Logan: No.

Mr. Wildman: I am sorry. This probably came up earlier, but I am not aware that it did. Did you or Mr. Cannon ever have contact with Mr. Fleischmann of Canadian Intercorp?

Mr. Logan: I have never had contact with Mr. Fleischmann. I mentioned at the very beginning of today's hearings that I had a discussion with Mr. Cannon, and he could recall one telephone conversation with Mr. Fleischmann about a project. He could not remember what it was, but he certainly did not recall it as being Wyda. We had turned down an application from the company, and Mr. Fleischmann called for information as to why. He accepted the points and arguments Mr. Cannon gave him for turning down the application.

The other occasion was when Mr. Cannon had a brief meeting with him in a restaurant on the ground floor of our building when he went in to get Mr. Blakley and was introduced.

Mr. Wildman: You said earlier that you personally did not have any problem with the concept of finders' fees?

Mr. Logan: As a general business practice, no.

Mr. Wildman: In your experience, is it out of line, high, low or about normal for a finder to be paid one per cent of a benefit that goes to a company?

Mr. Logan: One per cent is very low.

Mr. Wildman: In your experience, is a finder's fee usually paid on the basis of the total number of dollars, or is the amount of effort put in to obtain the investment considered?

Mr. Logan: It is based on the total number of dollars in the transaction.

Mr. Wildman: Even if it involved simply having a lunch and a few drinks, as long as the investment eventually was made and you could claim you were the first to introduce the two parties, you would be entitled to the fee, dependent on the agreement, of course.

Mr. Logan: As a general practice, the finder would do more than have



an initial lunch and pass a document on. That individual in the business world would usually have some ongoing involvement. Investment dealers are very common finders for agents' fees in these transactions. They typically try to ensure that they keep the two sides on good terms and often counsel both sides so they do not have a falling out for any reason. Typically, in the business--

Mr. Wildman: They handhold them.

Mr. Logan: Yes, and often they try to handhold both sides. They often get paid a much higher percentage than one per cent for doing that.

Mr. Wildman: Right. During your negotiations with Wyda, although you have indicated you did not have any direct contact with Mr. Fleischmann--

Mr. Logan: I did not even know Mr. Fleischmann.

Mr. Wildman: All right.

Mr. Logan: I saw him here for the first time.

Mr. Wildman: Were you aware, or to your knowledge was Mr. Cannon aware, of his involvement with Mr. Dobzinski or with Mr. Caplan?

Mr. Logan: I was not aware and I believe Mr. Cannon was not aware.

Mr. Wildman: At any time during these negotiations, did you, as a negotiator for IDEA, come to understand that Wyda had political connections?

Mr. Logan: My--

Mr. Wildman: You had your memo, the infamous memo we dealt with, but that was dealing with Mr. Caplan. It was not referring to any other.

11:50 a.m.

Mr. Logan: That is correct. I was not aware of any other thing.

Mr. Wildman: All right. In making your recommendation to the IDEA board or in evaluating the proposal by Mr. Dobzinski, were considerations with regard to the future of IDEA Corp. influential in your mind?

Mr. Logan: No.

Mr. Wildman: In other words, you are saying that the possible winding up of IDEA Corp. did not influence you adversely or otherwise with regard to the investment in Wyda.

Mr. Logan: That is correct.

Mr. Wildman: With regard to the investment itself, Mr. Pope and Mr. Philip raised questions about the investment in new technology and whether this was just an investment or was largely an investment to pay down debt, at least on the part of Wyda. In your experience with IDEA Corp. is it unusual for investments to be used to lower debt obligations mainly by companies which had received investment capital from IDEA?

Mr. Logan: I would argue with the premise that our investment was mainly to pay down debt. It was not unusual to repay some of the shareholders'

loans. That was often a subject in negotiations because most of these companies would have been financed from somebody's hip pocket along the way and a lot of these people were very often stretched very tight financially. We would make a judgement on how much we could keep them stretched without impairing their ability to run their company. We would try to come to a landing on how much of their shareholders' loans might be paid back, how much would have to stay in and how much would be converted into equity.

In some cases, we would take a hard position, if we thought the individual or the company could afford to leave in all the money. In other cases, we would let more come out. It was a negotiating point, and it would depend on what else the individual was doing to show commitment to the company. In this case, the repaying of the vast bulk of a long-term debt of this company by Dobzinski represented a monstrous commitment. We have never had anybody commit on that scale before and, therefore, the repayment of these shareholders' loans was deemed to be fair.

Mr. Wildman: Was this an unusual situation at least in relation to what Dobzinski and his family were prepared to invest?

Mr. Logan: That is correct.

Mr. Wildman: IDEA treated it as an unusual situation.

Mr. Logan: In terms of bargaining, when someone says to you, "We will see that we retire \$4.5 million debt of this company," we thought the obligation this company has, in return for being allowed to take out our shareholders' loans, was pretty reasonable.

Mr. Wildman: What was the atmosphere in this period during the spring, particularly just prior and subsequent to Mr. Kruger's announcement at IDEA Corp.? Was there a feeling that the corporation was winding down and so the whole operation should wind down, or was there a feeling that if IDEA could get involved with some exciting projects, there might be a chance that the wind-down would not happen?

Mr. Logan: That latter attitude was one we had from the very beginning of the reorganization. A very major reorganization occurred at the end of May 1985. The company had lost a lot of its good junior people and had then let go five very senior people. The structure within the organization was changed dramatically to try to get faster turnaround and better performance out of the organization, which Mr. Barnes mentioned had not been performing particularly well.

The whole attitude that Mr. Cannon and I had tried to inject, when we became the acting vice-presidents of those departments, which was only supposed to be for a temporary period, was to get this organization redirected, to cut out the infighting that had been going on previously and start processing these applications and giving people some decent satisfaction.

The whole attitude we tried to inject--I think successfully--was that, while based on its previous performance, the government should probably close the corporation, there was a need for an agency such as IDEA, and if we could in short order show the government, the public and the financial community that this organization could perform and make good investments and respond promptly and appropriately, it could be seen to be a viable organization.

I think we managed to pull that attitude into shape fairly quickly, and



it was still the attitude with which people were approaching the situation leading up to the February 19 decision by the cabinet.

Mr. Wildman: If that was the attitude imbued in people working at IDEA Corp., did that make them vulnerable to influence from bureaucrats in the Ministry of Industry, Trade and Technology or anyone else?

Mr. Logan: I do not think so. We believed we had to perform in a way that the government had expected IDEA Corp. to perform when it was set up initially. If we did that, it would be seen to have been doing a good job. We believed we had demonstrated that quite successfully to Mr. Kruger and his people who were undertaking the review.

Mr. Wildman: Finally, at any time after it became obvious that the government was going to wind down IDEA, did you seek employment with Wyda?

Mr. Logan: No, I did not.

Mr. Wildman: Did you seek employment with the provincial government, other than the short-term contract you have with the Ontario Development Corp.?

Mr. Logan: This raises an issue Mr. Pope brought up at an earlier date, and I hesitated then. Let me clarify once again: I did not view it as seeking employment. Mr. Cannon and I for some time--and I am not sure whether it came up in the February 19 meeting, but it probably did in the March meeting--felt we had an alternative plan that we were going on to do and we were still working on it.

It has not happened as quickly as we hoped, but it was to be a privately funded investment company. As part of going on in that future and what we intended to do, we had discussions and negotiations with Mr. MacKinnon of the ODC and some of his officials as to our interest in their interest that we manage the IDEA Corp. portfolio investments after IDEA was wound down.

Mr. Wildman: When you say "we," are you talking about you and Mr. Cannon?

Mr. Logan: Yes.

Mr. Wildman: Were you aware of anyone else seeking to manage the IDEA Corp. portfolio?

Mr. Logan: My understanding is that the ODC or the ministry or various parts of the government had a number of expressions of interest. I was aware that, at an earlier period, Mr. Blakley had expressed interest in doing something similar.

Mr. Wildman: In regard to your proposal, did that possibility of managing the IDEA Corp. portfolio in any way influence your decision with regard to Wyda?

Mr. Logan: None whatsoever. Mr. Cannon and I had not entertained that idea until later. It had no bearing whatsoever.

12 noon

Mr. Wildman: Finally, did your knowledge that Mr. Caplan was involved with Wyda and the knowledge that others at IDEA had of that lead you



at any time to believe that the success of the Wyda application might assist IDEA in persuading the government to continue the operations of IDEA?

Mr. Logan: No more than any of the previous investments we had recommended. In fact, we had been waiting for an imminent decision for some three or four months, but our whole attitude and intention was to try to make those investments we considered to be good investments. If we could be seen to make the IDEA Corp. work, we hoped it would be continued.

Mr. Wildman: It did not cross your mind that Mr. Barnes's interest in this project might, if it were successful, influence his advice to the government?

Mr. Logan: Mr. Barnes was not at all involved at this point. I believe he went to Community and Social Services the previous September or something like that.

Mr. Pope: Are you aware of anyone else other than Mr. Blakley who offered to manage the investment portfolio of IDEA Corp.?

Mr. Logan: Of specific names?

Mr. Pope: Yes.

Mr. Logan: I had heard about two other organizations that had expressed interest.

Mr. Pope: Who were they?

Mr. Logan: Middlefield Capital, which was one of the companies Mr. Ward mentioned as being a company we had invested in, and a Massey-Ferguson subsidiary that does venture investments.

Mr. Pope: Anyone else?

Mr. Logan: I am trying to think back. I believe there was a gentleman, Mr. Butts, who could be part of an organization that expressed an interest. I had heard a very large number of people were, but I did not try to make it my business to know who they were.

Mr. Pope: So it was not only Mr. Blakley and yourselves. A number of people were--

Mr. Logan: That is correct.

Mr. Pope: Who is managing the investment portfolio now?

Mr. Logan: The Ontario Development Corp.

Mr. Pope: Who would be inputting to Wyda that you--

Mr. Logan: I am not referring to Wyda. I am referring to IDEA Corp.

Mr. Pope: I want to talk about the relationship between the Cumberland Group and Wyda. In the Cumberland Group application for IDEA funding in the summer of 1985, was Wyda one of the groups for which it was syndicating?

Mr. Logan: I will tell you what I know, but keep in mind I was not handling this application. My understanding was that their name was mentioned, but it was specifically mentioned in the document they submitted to us that they were not trying to raise funds for Wyda, that Wyda was trying to raise its own funds.

Mr. Armstrong: You are referring now to the Cumberland application to IDEA?

Mr. Pope: Yes.

Mr. Armstrong: And you have just referred to the subsequent application Wyda made in August. Is that right?

Mr. Logan: I am not sure which application, but I thought Mr. Maruzzo had testified to that effect when he was here. He had a document in front of him and referred to the fact that Cumberland had noted Wyda was specifically out seeking its own money and the group was not specifically trying to raise funds for Wyda.

Mr. Armstrong: That is in relation to this August application that concerns us here.

Mr. Bell: Cumberland's first application. We have heard evidence that included Wyda.

Mr. Armstrong: Perhaps I am the only one confused. I am not sure.

Mr. Logan: I do not know what was in their original document when they first came in in January, but in the latter discussions with them in which Mr. Cannon and Mr. Maruzzo were involved in the summer of 1985, my understanding was that they made it clear that at that point, Wyda was not one of the companies they were raising money for and Wyda was seeking its own funds.

Mr. Pope: We heard evidence contrary to that, but that is your understanding, so that is all I am asking.

Mr. Logan: That was my understanding.

Mr. Pope: You testified earlier, or perhaps Mr. Cannon did, that you received two calls with respect to the Cumberland application, which you considered to be political interference. One was from Peter Barnes. Who was the other one from?

Mr. Armstrong: Mr. Cannon got them, but I believe both calls were from Mr. Barnes's assistant, Ann Whalen-Griffin.

Mr. Pope: No one else?

Mr. Armstrong: That was the testimony Mr. Cannon gave before.

Mr. Pope: Did you get any calls about the Cumberland application?

Mr. Logan: None whatsoever.

Mr. Pope: Did you go to the Wyda offices at any time for a meeting?

Mr. Logan: Yes. I did.

Mr. Pope: Did you investigate the outstanding contracts as part of the closing with Wyda?

Mr. Logan: Yes.

Mr. Pope: Were you aware that Mr. Greenberg was a common officer and director of both the Cumberland Group and the Wyda corporation at the time the application was made?

Mr. Logan: I was not aware that he was a common officer at the time the application was made. I was aware that when Wyda was first set up as a corporation, when Mr. Dobzinski was residing in New York, that Mr. Greenberg had been made an officer of the corporation, as that was required at that point for the financing they were raising.

Mr. Pope: We have evidence before this committee, which you disagree with from your understanding, that Wyda was included in the Cumberland application. We have Mr. Greenberg as a principal of Cumberland Group plus an officer and director of Wyda. Did you examine the sublease between Wyda and the sublandlord?

Mr. Logan: I believe Blake, Cassels did on our behalf.

Mr. Pope: Then you know the Cumberland Group was the sublandlord?

Mr. Logan: Yes.

Mr. Pope: You knew that on closing?

Mr. Logan: Yes.

Mr. Pope: Because you were in the building, you knew the Cumberland Group and Wyda shared the same reception area?

Mr. Logan: I assumed that was the case. I was not familiar with the whole building. I understood that Cumberland had most of it and there was a central receptionist-telephone answering service. When you went into their offices, there was a separate door into Wyda.

Mr. Pope: In the light of all this, do you still say your memo of October 12 was a contrast as opposed to a comparison?

Mr. Logan: Yes, I certainly do. I wrote my memo in October 1985. I did not become aware of the relationship between the Cumberland Group and Wyda until much later, in the January-February 1986 period.

Mr. Pope: Who is David Scott?

Mr. Logan: As I said to Mr. Bell, David Scott is the president of a venture capital company in Toronto called Toronto Shared Ventures. It has investments in about a half a dozen early-stage, high-technology companies.

Mr. Pope: How long has he been in business?

12:10 p.m.



Mr. Logan: For a number of years. I do not want to insult Mr. Scott, but I guess he would be fiftyish.

Mr. Pope: When did you first meet him?

Mr. Logan: I probably met Mr. Scott some time in the fall of 1985, something like that. Toronto Shared Ventures is a coinvestor with IDEA Corp. in one of our investments.

Mr. Pope: It was in the fall of 1985.

Mr. Logan: It would have been about that time.

Mr. Pope: You testified you never heard from or met--Mr. Ward wants to know which one.

Mr. Logan: I am sorry; which one what?

Mr. Ward: Which one were they jointly involved in?

Mr. Logan: An investment company called Telepanel .

Mr. Pope: You testified you did not receive any phone calls from Mr. Fleischmann.

Mr. Logan: I am sorry; you asked me whether I did?

Mr. Pope: Yes.

Mr. Logan: No, I did not.

Mr. Pope: Did you receive any phone calls from anyone working for Mr. Fleischmann?

Mr. Logan: Not that I am aware of; no one who ever identified himself as being an employee, as working for him or as being related to him in any way.

Mr. Pope: Did you receive any written communication from Mr. Fleischmann or Canadian Intercorp?

Mr. Logan: No.

Mr. Pope: Did you hear about the involvement of Mr. Fleischmann or Canadian Intercorp in this application?

Mr. Logan: The first time I became aware of the name "Canadian Intercorp" would have been when I saw this document under tab 14. At that point, I still had not heard of Mr. Fleischmann. I first became aware of Mr. Fleischmann's name on June 27 in reviewing the document with Blake, Cassels. His name was on Mr. Blakley's list.

Mr. Pope: Did you meet with Mr. Blakley with respect to the Wyda application?

Mr. Logan: I would sit down with Mr. Blakley on an irregular basis and bring him up to date on the status of deals we were working on--they would usually be ones we thought we would be prepared to make an investment in, ones

that looked promising--and let him know the rough timing and the rough dollar amounts we would be thinking of investing. With respect to Wyda, it would probably have been some time in--I cannot recall talking to Mr. Blakley about Wyda in the fall of 1985, but I am sure that in January, as we got the technical report and then the marketing consultant's report and became more and more interested, we certainly would have then had some meetings about Wyda.

Mr. Pope: Were you ever told by anyone that there was some political interest in this application?

Mr. Logan: No, I was never told that.

Mr. Pope: Were you ever urged to expedite the application?

Mr. Logan: All our proponents always urge us to expedite their own applications.

Mr. Pope: Who called you and asked you to expedite it?

Mr. Logan: At probably every meeting I had with Mr. Dobzinski, he would ask me when we might be able to make a decision, but I never received from anybody at IDEA Corp. or the government any urging to expedite this decision.

Mr. Pope: Did Mr. Caplan not phone on March 17 and urge you to expedite it? In fact, he wanted a \$100,000 advance?

Mr. Logan: That was not expediting a decision. At that point our board had made a decision to invest. He wanted to know whether we would be prepared to advance \$100,000 of the \$3-million commitment in advance of the formal closing.

Mr. Pope: You had not even settled the deal because you met on April 10 to do it.

Mr. Logan: We were still working to settle the deal. I believe I testified that is the reason I did not do it, that there were still terms and conditions outstanding and that I would not have wanted to have money invested before we had the very final terms and conditions.

Mr. Pope: To use your own terminology and documentation, the spouse of a cabinet minister phoned you and asked for an advance prior to closing and prior to arranging the terms of the closing.

Mr. Logan: He did not ask me to expedite the final closing. He was calling me as its vice-president of finance and was asking whether we would consider making an advance.

Mr. Pope: Mr. Logan, you said in your memo, very explicitly, that he was the spouse of a very important cabinet minister.

Mr. Logan: Yes.

Mr. Pope: That is your recollection. What is this stuff about he was calling in his capacity as vice-president? You knew who he was.

Mr. Logan: Yes.

Mr. Pope: Let us not--

Mr. Epp: What was his connection?

Mr. Logan: Mr. Pope, I have said on numerous occasions--to be fair--

Mr. Epp: You cannot rewrite history. That is what he indicated earlier. He has been consistent.

Mr. Pope: The memo of October 12 means nothing.

Mr. Armstrong: I do not think that is fair and consistent.

Mr. Logan: Mr. Pope, I take some exception to the way you put that. I have said on numerous occasions that I could not care less who Mr. Caplan was and who he was connected with. I could not care less who anybody associated with any of our proponents was. As far as I was concerned, it made absolutely no difference. You are suggesting to me now that it did make a difference to me. I take exception to that because I think you are challenging a principle that I hold to be very important.

Mr. Polsinelli: You cannot expect him always to operate the same way, Mr. Pope. There have been some changes.

Mr. Epp: You are saying that it operated now, that it operated before with the Tories--

Mr. Polsinelli: Clearly there is implication in your question as to how you think it operates.

Mr. Epp: --that they had political pressure put on.

Mr. Chairman: Mr. Pope still has the floor. If other members want an opportunity, they will be given it.

Interjections.

Mr. Chairman: Mr. Pope, please continue.

Interjections.

Mr. Chairman: There will be a five-minute recess.

The committee recessed at 12:17 p.m.

12:22 p.m.

Mr. Chairman: Let us get back to business.

Mr. Pope: You thought the fact that Mr. Caplan was the spouse of a prominent cabinet minister was important enough to put in a memo.

Mr. Logan: That fact that he was the spouse of a cabinet minister and that Wyda was taking what I believed to be major precautions to avoid appearing to have an appearance of pressure, yes.

Mr. Pope: Let us talk about those major precautions. I refer you to the green book of exhibits, document 8. You sent a letter to Mr. Dobzinski



dated January 27, 1986, in which you indicated you were going to recommend a \$1-million investment by IDEA. By February 12, 1986, that changed to \$3 million. We have already heard testimony that during this time Mr. Caplan was present at the negotiations, and I use that term advisedly. What caused IDEA Corp. and you specifically to change your decision with respect to the amount of the investment?

Mr. Logan: I do not have all the answer here, Mr. Pope, but I refer you to earlier testimony to that effect because I was asked specifically that question. I explained at that time that in late January, in reviewing with Mr. Cannon and Mr. Blakley the projects I had that I thought we would probably be making investments in, we were trying to sort out how much money we might have available to invest, given that we had submitted a budget that included both operating numbers and capital numbers.

You will also recall that in earlier documentation we had initially talked about a \$2 million investment in Wyda; documentation prior to these dates. The discussion with Mr. Blakley and Mr. Cannon related to what investments we thought we would make, how much money we had left and whether we had to stay within the budget we had put forward. That budget, as Mr. Blakley has testified, was never actually formally approved.

The rationale for going to \$3 million from that date was made up of three major factors. I believe I laid the three out previously. First, the \$1 million came up because we were going to have to cut back if we were going to stay within the budget, not what Wyda required or what we would want to invest. In discussing this with Mr. Cannon and Mr. Blakley, they both encouraged me to invest the amount that would be appropriate if we had the room within the budget to do it.

Second, inasmuch as Mr. Blakley had been trying to get advice as to whether we would be held to the amounts of money we had laid out earlier when we submitted our budget the previous spring, he was having a great deal of difficulty being told that we could not invest some of the money that had been advanced to IDEA at an earlier stage and therefore go over that capital budget. Given that he could not get any direction that we should not exceed that budget, we took the attitude, "Then let us invest the amount of money we think should be invested and not worry if we go over what we had earlier set out to be our total capital investment for the year."

As I stated earlier, the third factor was that it also became apparent to me that we would not close this deal until our 1986-87 fiscal year. Therefore, I did not need to be concerned in any case with regard to the capital investing limit we had for the year 1985-86. Again, I did not have to be concerned about staying down at the \$1 million level. I could put it to the level that I thought would be appropriate for us to invest and I thought \$3 million was the appropriate number.

Mr. Pope: Between January 27 and February 12, 1986, did you have any discussions with anybody concerning the Wyda application?

Mr. Logan: I would have had numerous discussions with Wyda. I would certainly have had discussions with Mr. Blakley and Mr. Cannon relating to our investing more money.

Mr. Pope: I am not interested in "would have." Did you have discussions?

Mr. Logan: Yes, I did have discussions.

Mr. Pope: In the discussions with Wyda, was Mr. Caplan present?

Mr. Logan: In the discussions, the negotiations and the deal, Mr. Caplan would have been present at, not all, but probably at most of the meetings.

Mr. Pope: Did you have any authorization from anyone to increase the amount from \$1 million to \$3 million?

Mr. Logan: Yes. I discussed it with Mr. Blakley. I do not think I needed authorization, as such. What I did need was to have Mr. Blakley's support when I took the investment forward to our board of directors and I had Mr. Blakley's support when I took it forward to our board of directors.

Mr. Pope: When did you decide to increase the amount from \$1 million to \$3 million?

Mr. Logan: I cannot give you an exact date, but it would have been in the week or week and a half leading up to my February 12 memorandum. It would have had to have been probably some time between the date of my letter of January 27--we worked on that venture summary for some time--certainly before February 10.

Mr. Pope: Did Mr. Dobzinski, in very blunt and graphic terms, tell you what he thought of the commitment for only \$1 million?

Mr. Logan: I do not recall it.

12:30-p.m.

Mr. McGuigan: As a business person, to tell you where I am coming from, I find it strange that people are questioning that a fee was paid for services rendered and also that money was paid to pay down debt. Would it not be normal in the corporation for people to come to you with an idea or an invention or whatever, partly finished, that needed further money to finish it?

Mr. Logan: Yes.

Mr. McGuigan: That would be the normal situation. They would not come and say: "We are at a final stage. Everything is ready to go, and we just need money to manufacture." That would not be the normal situation with you.

Mr. Logan: Certainly not on my side of IDEA. In some cases on Mr. Cannon's side, people would have had a product that was basically ready to market and they needed funds for marketing expenses and to build up their staff. That would happen occasionally, but the applications I was dealing with were more the type you characterized.

Mr. McGuigan: Would it not be rather normal that these companies probably tried to finance it out of their back pockets but they realized as they went along that the project required a lot more than they had? They would probably have incurred some debts at a supplier who, if they were not paid off in the next 30 to 60 days, would in all likelihood start some action. It would be fairly normal that you would be dealing with people who have some debt.



Mr. Logan: It is not unusual at all.

Mr. McGuigan: Deciding how much money you invest in a company, would you not say to yourself, "From this point on, it looks like we need"--we will use a figure--"\$2 million for development, but the company has \$1 million worth of debts that have to be taken care of fairly soon"? Would it not be part of your thinking to say, "We will give them \$3 million," or "We will invest \$3 million"?

Mr. Logan: That kind of thinking would go on. With specific reference to Wyda, it was mid-January to late January when we were starting to get more detailed financial information on Wyda and starting to understand more about its finances up to that point. I think we pointed out that we focused primarily on the technology and the market assessment. It would have been at that time that we would have been learning more about their existing financial situation.

Mr. McGuigan: But in deciding on the amount of money you were going to give a company, whether it was Wyda or whatever company, you would look at what was required from this point on to reach a certain level.

Mr. Logan: Yes.

Mr. McGuigan: How much money was required to take care of paying off suppliers or paying consultants or whatever.

Mr. Logan: Yes.

Mr. McGuigan: You would base your amount of investment on those two factors, perhaps others, but at least those.

Mr. Logan: Those two would be considered. Yes.

Mr. McGuigan: Those would be two normal factors.

In relation to a fee, you say, as far as you know, there is no written policy that a fee was not to be paid.

Mr. Logan: As far as I know, we have no written policy.

Mr. McGuigan: I suppose you cannot answer for Mr. Cannon, but I am wondering if that was not the private position or prejudicial position--if you care to use that word or if I may use that word--of Mr. Cannon. In other words, that was a built-in bias he might have had, rather than the IDEA Corp.

Mr. Logan: Like an attitude, you mean; his attitude?

Mr. McGuigan: Yes, an attitude.

Mr. Logan: That is possible.

Mr. McGuigan: Another point I would like to pursue is that you say you were trying to make the company into one that would not require outside brokers, but in my experience as a businessman--

Mr. Logan: I do not recall saying that, Mr. McGuigan.

Mr. McGuigan: You wanted to make a company that was proactive. If I



came up to your door as a person seeking finances, you would grab me and pull me in. Would you immediately rush me to Mr. Blakley?

Mr. Logan: No.

Mr. McGuigan: Would it not be normal to put me through a lot of junior people and try to sort out whether I deserved to get to Mr. Blakley?

Mr. Logan: If I was approached, that was the case. Mind you, a lot of people would try to approach one of the more senior officers immediately, hoping to speak to the man at the top and thinking, "If we can get him on board, that will help ease the access." Typically, we would send them down through to Parikh's and what not to do the analysis.

Mr. McGuigan: If I came to your door, would I talk to you immediately or would I talk to Mr. Parikh or Mr. Cannon? Whom would I talk to?

Mr. Logan: If you approached IDEA Corp. by showing up in our reception area, the receptionist would typically refer you to a fairly junior person, if you did not ask for someone specific. Certainly, you would not be referred to Mr. Blakley or Mr. Cannon or me, but to one of the more junior people. When we had a corporate affairs department, the previous practice was that when someone showed up at reception, I believe a lot of applications were initially handled by someone in the corporate affairs group, to determine whether they were even in the ball park of something IDEA would consider.

Mr. McGuigan: If I knew you looked at me as a person who did not know his way though the system, would it not be perfectly logical for me to say: "This is the first time I have been confronted with this. I want to be successful and, therefore, I am going to a person who knows how to do this"? If you were standing back judging me as an applicant, would it not be rather prudent of me to go to someone who knew the system and how to develop it, how to make the best presentation?

Mr. Logan: Yes.

Mr. McGuigan: If I can take you back to schooldays, learn what the professor wants and give the professor what he wants. Would I not be considered a rather prudent businessman if I took that route?

Mr. Logan: We could not fault someone who tried to put his best foot forward.

Mr. McGuigan: I can give you an example. If you take something across the border--I take lots of things through customs--you go in and there is a whole row of manuals as long as this desk. The material is all there. If I knew which page to open, I could make my declaration in five minutes and it would not cost me anything, but if I ask the people behind the counter to help me, do you know what kind of a blank stare I get? Have you ever taken anything across the border?

Mr. Logan: I am not sure. Are you talking about taking goods into the United States and trying to declare them?

Mr. McGuigan: Either way.

Mr. Logan: Occasionally, I have declared a camera or whatever.

Mr. McGuigan: Nothing commercial?

Mr. Logan: No, nothing in a commercial sense.

Mr. McGuigan: I can tell you what you do. You get blank stares and you are told to go across the street to a customs broker. You look around you and everybody else in the room is going across the street to the customs broker, who charges on a percentage basis. I finally got tired of paying \$60 every time I went across, so I spent a few hours going through all the books; it took me just a few hours. I learned how to do it and I saved myself a few dollars. The next time I went back, the whole doggone thing was computerized so I went back to the customs broker again.

12:40 p.m.

I am trying to point out that in dealing with any sort of situation with which you are not intimately familiar, and you are not intimately familiar with the changes that take place, it makes doggone good sense as a business person to go and seek the advice of someone who does make that his business.

Mr. Logan: I think that is a fair assumption. It might be particularly fair in this case with Mr. Dobzinski, who was not a native Canadian and had not lived in this country for a long time.

Mr. McGuigan: He certainly was not familiar with the open attitude that you described you were trying to bring to the IDEA Corp. I certainly applaud that, but I am sure Mr. Dobzinski's experience would be more like my experience with the customs brokers, coming from that part of the world.

Mr. Logan: I assumed he was not familiar with IDEA Corp. and that we were there.

Mr. McGuigan: Are you familiar with the percentages that various people charge; for instance, a truck broker? All a truck broker does is, if I come in with my truck and say, "I want a load to go to Atlanta, Georgia, because I am picking something up by load coming back," he simply punches it into his computer. He might have someone who has a load going that way. He says, "Go to so-and-so and pick up the load," and he gets 20 per cent for doing that little bit of business. It is not the effort that is put into the thing; it is the result that counts.

I submit anyone who could provide me with \$3 million as an investment in my business--I would think I got a terrific bargain if it cost me only \$30,000. The lowest rates I know of in the food brokerage business are three per cent or five per cent, and all it involves is a phone call. Behind that, it involves a knowledgeable person who knows the business, but his actual physical output is just a phone call.

I think you had business experience before you got into this business; otherwise, you would not have been chosen for this job. Therefore, you would agree, I guess, as you already have to other speakers, that there was really nothing wrong from any sort of business or moral point of view with paying a fee?

Mr. Logan: It is quite a common business practice; a very common business practice.

Mr. McGuigan: I certainly want to put it on the record that I regard



it as a common business practice, provided there is nothing immoral about it, and I do not think we have been shown there was anything immoral about this.

Mr. Logan: That is for you people to judge.

Mr. McGuigan: If there is something immoral about it, I would like to be shown, but I have not been shown that so far.

Mr. Chairman: Is that it, Mr. McGuigan?

Mr. McGuigan: Yes. Thank you.

Mr. Chairman: I remind members that we are supposed to conclude at one o'clock. We still have an in camera session with Mr. Bell. I would encourage you, if at all possible, to try to complete this prior to that time.

Mr. Philip: Would you agree, if you were in a court of law, that would have been called leading the witness? Do not answer that question.

However, in response to the line of questioning of Mr. McGuigan, would you not see a difference between a government program that is clearly announced, that is available through all of the media and publicity that a government has, and some private investor or customer going out and having to bang around the bushes in order to obtain the kind of investment he wanted? Is there not a heck of a difference between paying an investment finder's fee by a private businessman who does not have the resources government has in establishing programs and a government that has all of those resources available?

Mr. Logan: That is a difficult question in many senses. I think for most businessmen, most individuals who might be able to get some help from government, despite the fact the government advertises and tries to promote the programs it has available, with the vast number that exist on the federal and provincial levels in the different provinces are huge, most people do not have a clue about all of them that are available. I think there is a valid service provided by individuals who, on behalf of a corporation or individual, can provide a service in saying: "What are you trying to do? That is what you are trying to do. This is how you go about it. This is who you talk to. There is a program that would fund this type of thing."

I could not give you a whole lot of names, but there are from time to time people who specialize in doing those types of things, and I think that is a valid service. To some degree, it would be in some senses easier to find out what is available from the government if you sat down with a telephone and made enough phone calls. Presumably, probably over a fairly lengthy period of time with my experience, in trying to get information from government departments, you could find out what programs there were and you could develop that knowledge yourself. That might be easier than the private sector where--

Mr. Philip: I can pick up the phone and find out with one call, because I constantly have businessmen in my riding coming to me and saying, "What kinds of programs are available for us? I want to expand my business," and so forth. I have got to the point where I call legislative library research. They have an ongoing file of both federal and provincial programs about this thick. It is updated and any MPP can get access to it. I can sit down with that businessman and say: "Look, this falls under this ministry. This falls under that ministry. If you give me your résumé and what it is you



want to do, I will send it off to the ministry and ask one of the officials to contact you."

I do not need a consultant and I do not need an outside businessman to find out. All that is recorded. The programs are described, sometimes not described in the type of detail I would want from a public accounts point of view, but at least described. You do not need a consultant or--

Mr. Armstrong: Mr. Philip, to be fair, you asked Mr. Logan what his perception was, primarily as an outsider. You could hardly be described as an outsider to the government and to the workings of the ministries. It is simple to say, "Go to MITT" or--

Mr. Philip: Outsiders go to politicians all the time to find out what is available from the government.

Mr. Armstrong: That may be. Perhaps he might have come to you, but he did not.

Mr. Philip: I am sure they go to the federal member. I have not spoken to him about it.

Mr. Pope: One could go to the nearest MITT office anywhere in the province.

Mr. McGuigan: Do we not have free choice in this world yet? What if a businessman chooses not to?

Mr. Chairman: I am going to have to call another break if it keeps up.

Interjection: I cannot believe he really believes that.

Mr. Chairman: Keep it down.

Mr. Philip: We will be good, father, I promise.

I guess a lot of us in public accounts are probably detective story readers or have a natural curiosity. I want to ask one question out of that natural curiosity. I do not know what it will add to the general thrust, but it is my lapse into my own curiosity or whatever.

On tab 5, you talk about the contrast with what happened before.

Mr. Bell: Do you mean the IDEA brief?

Mr. Philip: Yes. It is the green one.

Is it really Graham Scott you are contrasting with?

Mr. Logan: I do not know who Graham Scott is.

Mr. Philip: You obviously were contrasting with somebody. Somebody is good; therefore, if you are contrasting it, it has to be with somebody who is bad. In the old movies it was easy to tell because the bad guys all wore black hats and the good guys all wore white hats. You cannot have a contrast without having something to contrast to. Who are you contrasting it to?

Mr. Logan: I have testified that was the Cumberland Group.

Mr. Philip: Graham Scott was involved in the Cumberland Group, was he not?

Mr. Logan: I was not aware of that. It was my understanding that the people involved in the Cumberland Group were William Greenberg and Leo Gray.

Mr. Philip: He was with them.

12:50-p.m.

Mr. Logan: All I can tell you is I do not know who Graham Scott is. I have no knowledge that, whoever this man is, he was connected with the Cumberland Group.

Interjection.

Mr. Philip: No, my curiosity is not satisfied. If I have insomnia tonight over it, trying to puzzle over it, I hope you realize you are the cause of it.

Mr. Logan: That will make up maybe for the three nights I have not been able to get home. I have had to borrow other people's shirts and toothbrushes and what not so that I could appear.

Mr. Philip: But it was not entirely me; Mr. Pope and some other members have to share some of that responsibility.

Mr. Chairman: We have 10 minutes left and we have four questioners.

Mr. Pope: Very briefly, is it fair to say that you and Mr. Cannon worked on this application with Wyda?

Mr. Logan: It is fair to say that--well, there were more people at IDEA who worked on it than just we two. Mr. Cannon got involved in the later stages; he was involved in the very early stages, then there was a big gap, and then I reinvolved him at the end.

Mr. Pope: Did you not review their business plan and application and advise as to changes, which is your duty as staff of the IDEA Corp.?

Mr. Logan: Changes to what, Mr. Pope?

Mr. Pope: The business plan. You amended projections or questioned projections of sales?

Mr. Logan: You are talking about as we went through the Wyda--

Mr. Pope: Yes.

Mr. Logan: Mr. Parikh did the work and with my guidance amended the sales projections.

Mr. Pope: Mr. Fleischmann was not involved in any way in amending the application or making it more acceptable to you?

Mr. Logan: No.

Mr. Pope: Do you think he deserved to be paid \$30,000 for introducing someone to IDEA Corp.?

Mr. Logan: I think I have testified I thought he was very well paid for what he did.

Mr. Pope: Exactly.

Mr. Wildman: He also testified it was one per cent of the gross.

Mr. Logan: Typically, someone would do more to earn it.

Mr. Pope: I am trying to go quickly. Can I ask you about the documents under item 14 of L?

Mr. Logan: Yes. The budgets?

Mr. Pope: Yes. The total disbursements to April 30, 1986, are \$1.5 million?

Mr. Logan: Yes.

Mr. Pope: And that money was disbursed to clean up debts and outstanding fees?

Mr. Logan: Yes, and the Receiver General and what not.

Mr. Pope: All these outstanding matters, including arrears of payroll?

Mr. Logan: Yes.

Mr. Pope: That is \$1.5 million gone between April 19 and April 30, out of the \$3 million.

Mr. Logan: Right.

Mr. Pope: Can you explain to me why the budget for Wyda Systems for the period May 1 to May 31, 1986, is a further \$452,000 and then for the following month it is only \$175,000?

Mr. Logan: One of the major expenditures they had advised us of and that we knew about was in excess of \$100,000 for a work station that the CAD/CAM system will actually run on. I cannot explain all the other elements, but those two figures, the \$1.5 million and the \$452,000, would accord actually almost dead on with what I said to the executive committee; as of June 1 there was \$1 million left of the \$3 million.

Mr. Pope: Of that, equipment purchase is \$185,000.

Mr. Logan: Yes. This was new equipment.

Mr. Pope: New equipment.



Mr. Logan: Yes, they had been holding off, Mr. Pope, because Mr. Dobzinski had been funding all the cash requirements of the company.

Mr. Pope: For your investment, the total amount of new equipment purchased is \$185,000.

Mr. Logan: I expect there will be more equipment that needs to be purchased along the way.

Mr. Pope: Two million is already gone.

Mr. Logan: But that was not--You are right. There is \$1.5 million in obligations that had accrued up to the time we closed and up to April 30, and the budget for the month of May, plus equipment purchases of things they had wanted to buy but had been holding off; the total budget came to another \$450,000.

Mr. Pope: You were the director representing IDEA Corp. on the board of directors of Wyda during this period?

Mr. Logan: Yes.

Mr. Pope: You had responsibility with respect to the public investments in this company?

Mr. Logan: Yes.

Mr. Pope: Can you explain to me why there is a \$58,000 source deduction which is roughly equivalent to the payroll?

Mr. Logan: My understanding of that was, when they caught up with various arrears they had paid in April, plus their May payroll added on top of that, this was the amount they would then owe the Receiver General.

Mr. Pope: So these, as well, were debts.

Mr. Logan: Any time you pay someone you withhold tax money, Canada pension plan and unemployment insurance contributions, and you have to pay them.

Mr. Pope: But as of closing, it was a debt.

Mr. Logan: Part of that--it would have become due and payable, probably on May 15, which was not closing.

Mr. Pope: Can you explain why the accounting fees were \$10,000 in May and only \$5,000 in June?

Mr. Logan: No, I cannot specifically.

Mr. Pope: Was this the same accounting firm that had been the accounting firm for Wyda from the outset in 1985?

Mr. Logan: I believe so.

Mr. Pope: Can you explain why the legal fees were \$8,000 in May and \$5,000 in June?

Mr. Logan: I think all of these questions, Mr. Pope--I cannot explain them. Presumably, Wyda could explain all the details.

Mr. Pope: You do not know why the phones were \$3,500 as opposed to \$1,900?

Mr. Logan: No, I do not.

Mr. Pope: Why travel and entertainment was \$3,500 in May and only \$500 in June?

Mr. Logan: I cannot explain that.

Mr. Pope: And why insurance was \$11,800 in May and nothing in June?

Mr. Logan: Often you pay insurance semi-annually.

Mr. Pope: I presume the rent was in arrears as well in May because \$16,400 was paid and only \$8,200 in June.

Mr. Logan: It would look like that would be two months of rent for May and April.

Mr. Pope: Could you explain why the photocopier was \$8,000 in May and only \$900 in June?

Mr. Logan: No, I cannot. That is my circle. I intended to ask that.

Mr. Pope: Do you not find it passing strange that out of a \$3-million investment, \$2 million was blown out the window by the end of May?

Mr. Logan: No, that was the basis on which, when we looked at all of the obligations they had, it was part of the negotiations to exercise the option immediately.

Mr. Pope: Did the board approve all of these payments with respect to outstanding obligations?

Mr. Logan: Did the board of Wyda approve?

Mr. Pope: No, did the board of IDEA Corp. approve all of these expenses for outstanding debts?

Mr. Logan: No, and the board would not normally get involved in that.

Mr. Armstrong: Mr. Chairman, are we just waiting for one o'clock? Is that the end of--

Mr. Chairman: Are you finished?

Mr. Pope: Yes.

Mr. Logan: I think Mr. Armstrong was not aware that you were finished.

Mr. Bell: As far as you are concerned, what was the last date that

IDEA had any dealings with the Cumberland Group or any of its officers, directors or representatives?

Mr. Logan: I cannot give you the exact date, Mr. Bell, but I think Mr. Cannon has testified that it was some time in--I believe he said either October or November 1985--when IDEA finally said it would not be interested in the two specific investments because, once it turned down the syndicate, it left two specific ones.

Mr. Pope: Can you think of any reason IDEA would have contact with any representatives of that group after that period?

Mr. Logan: No, I cannot at this point in time.

Mr. Pope: There are references in your diary--September, October--and this would be a specific reference to Tab L, the code of conduct document, item 1.

Mr. Logan: Tab L, item 1?

Mr. Bell: Yes, Is that the code of conduct manual of IDEA?

Mr. Logan: Yes.

Mr. Bell: It is dated December 11, 1985, and its authorship is attributed to Mr. Blakley. Did you have a hand in the preparation of this document?

Mr. Logan: No, I did not.

Mr. Bell: There are references in your diary, particularly September 3, 4 and 5 of 1985, where a conflict-of-interest memo is referenced. Do you have any recollection of those entries?

Mr. Logan: No, but you could hand me my diary. What did you say again?

Mr. Bell: September 3, 4, 5 of 1985. Do you see those references?

Mr. Logan: Yes. This relates to an investment where one of what we called our commercial development officers--this was a program we had where we were paying \$100,000 a year for three years to the major universities in Ontario to have an individual who would look for technologies in universities and pull them out. This related to that. An individual at one of the universities wanted to take an interest in a company, he wanted to put up his own money in a company which was asking us also to put up some money.

Mr. Bell: Did you ever consider the conflict-of-interest provision in this code of conduct manual, the application of same for yourself in respect of IDEA's investment in Wyda?

Mr. Logan: I am not sure what you are asking. I do not understand.

Mr. Bell: Had you ever considered the obligations under the conflict-of-interest provisions of this code of conduct manual for yourself in relation to IDEA's investment in Wyda?



Mr. Armstrong: Do you understand?

Mr. Logan: No.

Mr. Armstrong: I do not understand the question either.

Mr. Bell: Have you ever considered the obligations of the conflict-of-interest provisions as they are found in this manual as for yourself?

Mr. Logan: I believe I read them early on when I was first at IDEA.

Mr. Bell: Did you understand the obligations required of you pursuant to those conflict-of-interest guidelines?

Mr. Logan: I presume I did at the time but I cannot remember.

Mr. Bell: Did you ever consider those obligations in relation to IDEA's investment in Wyda?

Mr. Logan: As we were--if you ask me if I--let me put it this way: As we were going through the process of evaluating Wyda, I did not go back and re-read these provisions to see if they applied to the Wyda case.

Mr. Bell: Did you ever consider joining Wyda or acquiring any equity position for your own account?

Mr. Logan: No.

Mr. Bell: I have no further questions. Thank you.

Mr. Chairman: Are there further questions from members of the committee?

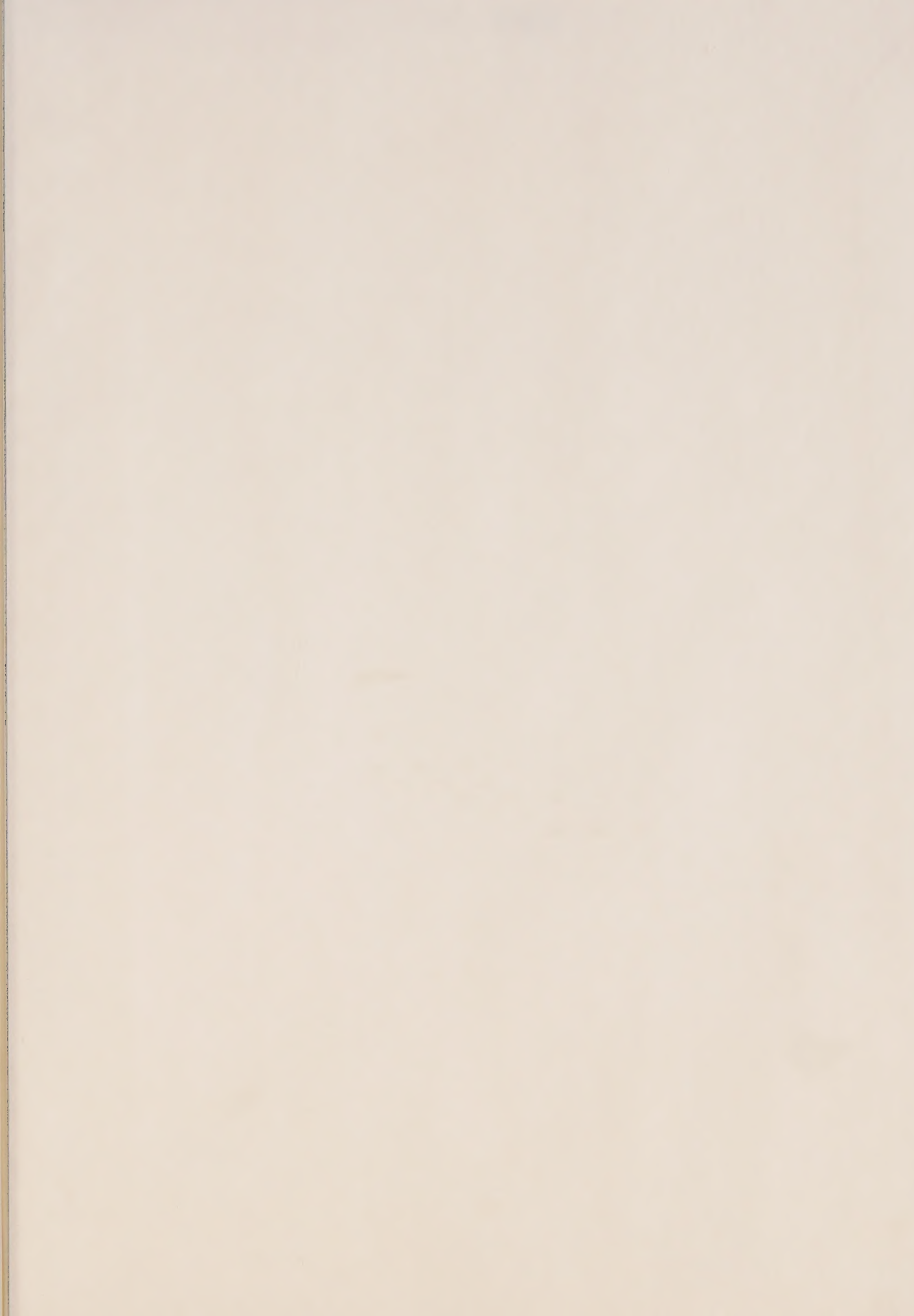
Thank you, Mr. Logan. We appreciate your testimony today. We apologize to Mr. Blakley that we did not have an opportunity to talk to you today. We will look forward to seeing you August 7. You can schedule that.

The committee continued in camera at 1:05 p.m.











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